



Notice of 2019 Annual Meeting

PROXY STATEMENT | 2018 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 32 countries, with 1,535 locations and more than 100,000 employees. XPO uses its network to help more than 50,000 customers manage their goods most efficiently throughout their supply chains. XPO's corporate headquarters is in Greenwich, Conn., USA, and its European headquarters is in Lyon, France. 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. 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," "trajectory" 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 and prevent failures in or breaches of such 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 and securities class actions; 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; 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.

To Our Stockholders

2018 was a year of record growth and profitability for XPO that became characterized, in many ways, by its final four months.

In September, a longtime European customer went bankrupt. Then, macro conditions in France and the UK deteriorated. We were hit by a short-and-distort scheme in December – the same month our largest customer accelerated its plan to insource. To top it off, we didn't execute up to our usual standards.

As a result, we missed our 2018 target for adjusted EBITDA and our stock fell 47% between October and January.

In light of our pay-for-performance culture, our president, Troy Cooper, and I voluntarily waived an aggregate \$4.3 million in bonuses and deferred compensation awards.

I'm proud that our team delivered 12.3% year-over-year revenue growth in 2018, including 9.3% organic revenue¹ growth, despite the temporary turbulence. We generated net income attributable to common shareholders of \$390 million. And we grew adjusted EBITDA¹ to \$1.56 billion – up 14.3% year-over-year. Moreover, we generated cash flow from operations of \$1.1 billion, and free cash flow¹ of \$694 million. Our free cash flow handily surpassed our target of \$626 million, due in part to improved working capital management.

We ended 2018 with a strong balance sheet and modest leverage of net debt² to adjusted EBITDA of 2.4x. Our earliest significant debt maturity isn't until 2022, and some of our debt doesn't mature until 2034.

Our liquidity gives us considerable flexibility in making the best capital allocations on behalf of our stockholders. When our share price dropped, we paused M&A in favor of buying back our own stock – a rare opportunity to create compelling shareholder value. In December, our board authorized \$1 billion of share repurchases, followed by an additional \$1.5 billion authorization in February. We're very good at M&A, and we'll return to acquisitions when the time is right.

Customer-Focused Innovation

Looking at our operations in 2018, our logistics segment generated double-digit organic revenue growth that outpaced the company as a whole. Tailwinds in 2019 include ongoing demand for e-fulfillment and reverse logistics, traction from the 118 project start-ups we layered in throughout the year, a robust pipeline of active bids, and XPO Direct, our shared-space network.

XPO Direct is a new way for omnichannel and manufacturing customers to think about distribution. National customers essentially rent our capacity for contract logistics, last mile, less-than-truckload (LTL), labor, technology, transportation and storage. They can position inventories fluidly across markets without taking on large fixed costs. In 2018, we grew the network to over 90 facilities, giving XPO Direct critical mass.

Within our transportation segment, we're automating many of our interactions with shippers and carriers in truck brokerage. Our XPO Connect digital platform is creating a sea change in efficiency by sourcing, transacting and tracking on the cloud. Our brokerage business already benefits from having a variable cost model; now we're applying technology to further improve margins and labor productivity. We're also deploying labor more efficiently in our logistics sites by utilizing our XPO Smart labor productivity tools.

In North American LTL, we again increased profitability year-over-year. We've nearly doubled EBITDA in LTL since we acquired it in 2015, and operationally, we've brought LTL a long way forward in three years. In 2018, we continued to optimize our freight mix, improve asset utilization and serve customers with more consistency through the implementation of engineered standards and expanded training. We're also diversifying our LTL customer base by selling this service across more verticals, with a focus on local accounts.

On the technology front, our LTL network is benefiting from advanced pricing algorithms, AI-based load-building and augmented reality tools that improve dimensional accuracy in our linehaul models. We're rolling out dynamic routing optimization for pickup and delivery to enhance visibility for our customers – this technology also reduces our carbon footprint by decreasing empty miles. Our LTL technology blueprint for 2019 includes the launch of XPO Smart labor productivity tools, expanded use of machine learning in linehaul, and new price elasticity models that identify optimal pricing and balance our network volumes. Over the next 12 to 24 months, we intend to launch a new LTL technology platform for comprehensive network optimization. This should generate a significant increase in EBITDA once implemented.

In last mile, our core service for heavy goods performed well in 2018. We have a cohesive last mile network that we launched in 2013, when we bought the leading last mile company in North America; we then integrated three more highly regarded last mile providers over 18 months. In 2018, we expanded our network to 85 last mile hubs in North America. Our last mile customers benefit from the tens of millions of dollars we've invested in innovating the home delivery and installation of heavy goods. We believe we have the best service metrics in our sector – in part because our sophisticated technology gives retailers and contractors more control over the all-important consumer experience.

One of our company's most compelling competitive advantages is our combination of technology, density and scale. It allows our people to cross-sell our services and solve complex supply chain problems for customers.

Recently, we launched a single tracking number that our customers can Google to follow their goods through our warehouses and across our modes of transportation. It gives our large accounts an additional incentive to use XPO for multiple supply chain solutions. At year-end 2018, 90 of our top 100 customers were using at least two XPO service lines, and 55 of the 100 were using five or more of our services. Four years ago, these numbers were close to zero.

This year, in total, we expect to spend approximately \$550 million on technology, up from \$498 million in 2018. In addition to our LTL initiatives, we have ongoing deployments of predictive analytics, autonomous devices, collaborative robotics and virtual operations, facilitated by artificial intelligence and the Internet of Things. Other initiatives include the global implementation of XPO Smart tools for labor productivity, intelligent warehouse management and demand forecasting, self-learning digital tools for last mile on XPO Connect, and the customization of goods-to-person systems in our warehouses.

A Culture with Purpose

In conveying our strengths, we believe that equal weight should be given to the human face of XPO. Our company employs more than 100,000 extraordinary individuals who support over 50,000 XPO customers in 32 countries. Our employees have great insights – in 2018, management reviewed more than 32,000 employee survey responses and acted on countless suggestions, including the establishment of a permanent, US-based relief fund for colleagues in disaster areas. This reflects an important component of our culture: to engage our employees, customers, investors and the global community in a shared sense of “doing good.”

Our culture is also about being safe, respectful, entrepreneurial, innovative and inclusive – it's about having compassion, being honest and respecting diverse points of view, while operating as a team. We reinforce our culture through open-door management, the XPO University training curriculum, our Workplace virtual community and equal opportunity hiring policies. In addition, we have robust ethical guidelines that foster physical and emotional safety at work and clearly define prohibited behavior, such as harassment, dishonesty, discrimination, workplace violence, bullying, conflicts of interest, insider trading and human trafficking.

XPO takes an active role in advancing its workplace culture. Our company's expanded policies for Pregnancy Care and paid family bonding leave are significant benefits we developed over the past year. We also partnered with a leading healthcare network for women and families to offer supplemental health services from over 1,400 practitioners in 20 specialties via a virtual clinic. In total, we've made more than 30 quality benefits available to XPO women and families in the US. These include fertility services, prenatal and postpartum care, paid family bonding and a return-to-work program. All of our program and policy enhancements are provided at no additional cost to our employees.

I'm proud that our Pregnancy Care Policy is a gold standard – and that our benefits package for pregnant women and new parents is progressive not just for our industry, but for any industry. Any employee of XPO who becomes a new parent through birth or adoption can qualify for six weeks of 100% paid leave as the infant's primary caregiver, or two weeks paid leave as the secondary caregiver. In addition, a woman receives up to 20 days of 100% paid prenatal leave for health and wellness and other preparations for her child's arrival.

Our female employees can request pregnancy accommodations without fear of discrimination. A woman receives “automatic yes” accommodations, such as changes to her schedule and the timing or frequency of breaks, or assistance with certain tasks. More extensive pregnancy accommodations are easily determined with input from her doctor. Furthermore, we guarantee that a woman will continue to be paid her regular base wage rate while her pregnancy accommodations are in effect, even if her duties need to be adjusted, and she will remain eligible for wage increases while receiving alternate work arrangements. While we fully support the passage of the Pregnant Workers Fairness Act or similar legislation, our Pregnancy Care Policy goes beyond any likely expansion of federal protections.

Women at XPO have strong role models to look to on our board. Of our seven independent directors, three are highly accomplished women: Gena Ashe, Marlene Colucci and AnnaMaria DeSalva, who serves as the board's vice chairman. We'll continue to evolve the composition of our board to reflect the diversity of our company.

The development of our culture will continue to be a steady march forward, as it has since our founding in 2011. We recently published our inaugural Sustainability Report, a global document that covers 2018 data. We also publish a Corporate Social Responsibility Report for our European operations. Both documents can be downloaded from our new website at xpo.com.

This year, *Fortune* magazine once again named us one of the World's Most Admired Companies, and ranked us first in our category of trucking, transportation and logistics. We receive over 80,000 job applications in a typical month despite a tight labor market – talented people of all experience levels who want to be part of XPO. I credit our employees for furthering our reputation as a leader and a great place to work.

Looking Forward

For 2019, we expect to grow adjusted EBITDA faster than revenue, while growing revenue faster than the market. Our key financial targets are adjusted EBITDA in the range of \$1.650 billion to \$1.725 billion, and free cash flow in the range of \$525 million to \$625 million. We expect to deliver the majority of these gains in the back half of the year.

The 6% to 10% growth in adjusted EBITDA implied by our outlook also assumes continued growth in both North America and Europe, although at a slower pace than in 2018. If a recession comes, we can significantly reduce our capex spend. We're likely to produce substantially more free cash flow in a downturn, with working capital turning from a use into a source of cash.

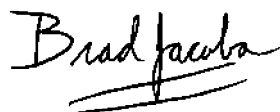
We'll always have growth opportunities across our service range, regardless of macro conditions. We hold less than a 2% share of a trillion-dollar addressable market – that's more than 50 times the size of XPO's present revenue base. In 2018, we continued to gain ground by winning a record \$3.8 billion of business. In 2019, we estimate that our top five customers will account for about 7% of our revenue, with our largest customer representing only about 2%.

I'd sum it up this way: XPO is more capable of creating significant shareholder value today, as a world-class industry innovator, than at any time in our history. We believe that there's a disconnect between our current stock price and our earning power. In our opinion, this represents an opportunity – though not without risk – for investors who seek outsized long-term returns.

XPO should continue to outperform its peers and the macro in any operating environment. We have a strong competitive moat: a combination of leading positions in fast-growing areas of transportation and logistics, a broad range of integrated solutions for complex supply chains, important advantages of scale, and differentiation through cutting-edge technology in every line of business.

I want to personally thank our investors, customers and employees for believing in us. When I look at our company, what strikes me is not our path to prominence in less than eight years, or the \$4.8 billion of adjusted EBITDA we've generated since 2014. It's that I'm 100% certain our greatest opportunities to serve your interests are still ahead.

April 22, 2019



Bradley S. Jacobs
Chairman and Chief Executive Officer

¹ Organic revenue, adjusted EBITDA and free cash flow are non-GAAP measures. Reconciliations to GAAP measures are provided in the tables in Annex A to our company's Proxy Statement.

² Net debt is defined as total debt less cash and cash equivalents.

XPO Logistics

XPO LOGISTICS, INC.
Five American Lane
Greenwich, Connecticut 06831

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 15, 2019

To the Stockholders of XPO Logistics, Inc.:

Notice is hereby given that the 2019 Annual Meeting of Stockholders (the "Annual Meeting") of XPO Logistics, Inc. ("XPO" or the "company") will be held on Wednesday, May 15, 2019 at 10:00 a.m. Eastern Daylight Time at Doral Arrowwood, 975 Anderson Hill Road, Rye Brook, NY 10573 for the following purposes as more fully described in the Company's Proxy Statement accompanying this notice (the "Proxy Statement"):

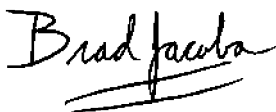
- To elect eight (8) members of our Board of Directors for a term to expire at the 2020 annual meeting of stockholders or until their successors are duly elected and qualified;
- To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2019;
- To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder by 2,000,000 to a total of 5,400,000, extend the term of the plan and make certain other changes;
- To conduct an advisory vote to approve the executive compensation of our named executive officers ("NEOs") as disclosed in the Proxy Statement;
- To consider and act upon a stockholder proposal regarding the requirement that the chairman of the Board be an independent director, if properly presented at the Annual Meeting;
- To consider and act upon a stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives, 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 April 12, 2019 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 6-10 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 22, 2019

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 15, 2019:

The Proxy Statement and our Annual Report on Form 10-K for the Year Ended December 31, 2018 are available at www.edocumentview.com/XPO.

TABLE OF CONTENTS

PROXY STATEMENT SUMMARY	1
QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING	6
BOARD OF DIRECTORS AND CORPORATE GOVERNANCE	11
An Overview of Our Mission and How Our Board Composition is Aligned with Our Strategy	11
Directors	12
Summary of Qualifications and Experience of Director Nominees	17
Role of the Board and Board Leadership Structure	18
Board Risk Oversight	18
Committees of the Board and Committee Membership	19
Director Compensation	20
Compensation Committee Interlocks and Insider Participation	21
Corporate Governance Guidelines and Code of Business Ethics	21
Director Independence	22
Director Selection Process	22
Human Resource Management	23
Board Oversight of Sustainability Matters	23
Stockholder Communication with the Board	24
Stockholder Proposals for Next Year's Annual Meeting	24
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	25
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	26
EXECUTIVE COMPENSATION	28
Compensation Discussion and Analysis	28
Compensation Committee Report	45
Compensation Tables	46
Employment Agreements with NEOs	52
Equity Compensation Plan Information	55
SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	56
AUDIT-RELATED MATTERS	57
Report of the Audit Committee	57
Policy Regarding Pre-Approval of Services Provided by the Outside Auditors	58
Services Provided by the Outside Auditors	58
PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING	59
Proposal 1: Election of Directors	59
Proposal 2: Ratification of the Appointment of KPMG LLP as our Independent Registered Public Accounting Firm for Fiscal Year 2019	60
Proposal 3: Approval of an Amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to Increase the Number of Available Shares, Extend the Term of the Plan and Make Certain Other Changes	61
Proposal 4: Advisory Vote to Approve Executive Compensation	69
Proposal 5: Stockholder Proposal Regarding the Requirement that the Chairman of the Board be an Independent Director	70
Proposal 6: Stockholder Proposal Regarding Ways to Strengthen Prevention of Workplace Sexual Harassment and Align Senior Executive Compensation Incentives	72
Other Matters	75
ADDITIONAL INFORMATION	76
ANNEX A—RECONCILIATION OF NON-GAAP MEASURES	77
ANNEX B—AMENDMENT TO THE XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN	82
ANNEX C—XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN	83

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PROXY STATEMENT SUMMARY

This Proxy Statement sets forth information relating to the solicitation of proxies by the Board of Directors (“Board of Directors” or “Board”) of XPO Logistics, Inc. in connection with our 2019 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.

2019 Annual Meeting of Stockholders

Date and Time	Place	Record Date
 Wednesday, May 15, 2019 at 10:00 a.m. Eastern Daylight Time	 Doral Arrowwood 975 Anderson Hill Road Rye Brook, NY 10573	 You can vote if you were a stockholder of record as of the close of business on April 12, 2019

Admission: You will need an admission ticket to enter the Annual Meeting. You may request an admission ticket by providing evidence of your ownership of shares of XPO common stock on the Record Date, the number of admission tickets you are requesting and your contact information. No cameras, mobile phones or other electronic or recording devices will be allowed to be used in the meeting room.

You can submit your request by sending an e-mail to stockholdermeetings@xpo.com OR by calling us toll-free at 1-855-976-6951.

This Proxy Statement and form of proxy are first being mailed on or about April 22, 2019, to our stockholders of record as of the close of business on April 12, 2019.

Voting Matters and Board Recommendations

The Board is not aware of any matter that will be presented for a vote at the 2019 Annual Meeting of Stockholders other than those shown below.

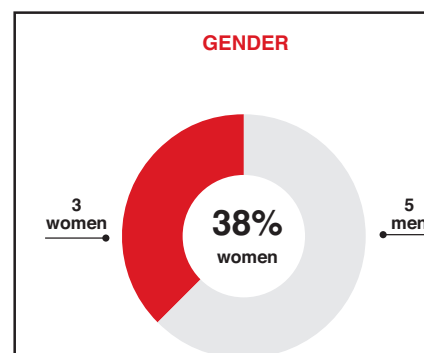
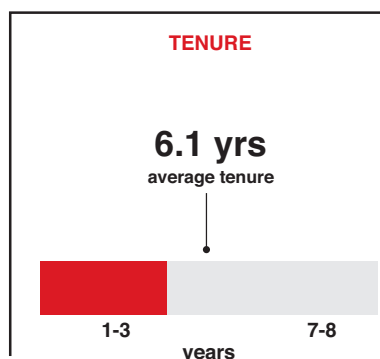
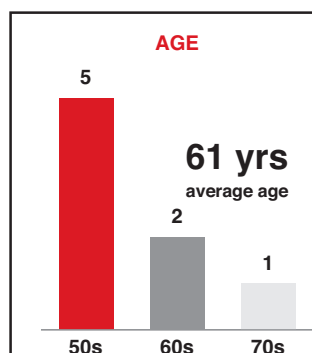
	Board Vote Recommendation	Page Reference (for more detail)
PROPOSAL 1: Election of Directors To elect eight (8) members of our Board of Directors for a term to expire at the 2020 annual meeting of stockholders or until their successors are duly elected and qualified	✓ FOR each Director Nominee	11-24, 59
PROPOSAL 2: Ratification of the Appointment of our Independent Public Accounting Firm To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2019	✓ FOR	57-58, 60
PROPOSAL 3: Approval of an Amendment to the Company’s Incentive Compensation Plan To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder by 2,000,000 to a total of 5,400,000, extend the term of the plan and make certain other changes	✓ FOR	61-68, 82-97
PROPOSAL 4: Advisory Vote to Approve Executive Compensation To conduct an advisory vote to approve the executive compensation of our named executive officers (“NEOs”) as disclosed in this Proxy Statement	✓ FOR	69
PROPOSAL 5: Stockholder Proposal Regarding the Requirement that the Chairman of the Board be an Independent Director To adopt a requirement that the chairman of the Board be an independent director	✗ AGAINST	70-71
PROPOSAL 6: Stockholder Proposal Regarding Ways to Strengthen Prevention of Workplace Sexual Harassment and Align Senior Executive Compensation Incentives To adopt measures to strengthen the company’s prevention of workplace sexual harassment and align senior executive compensation incentives	✗ AGAINST	72-74

Governance Highlights

Board and Committee Independence	Seven of our eight current directors are independent. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee consist entirely of independent directors.
Independent Board Oversight and Leadership Roles	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 chairmen in providing effective Board oversight. In 2019, our Board added the position of an independent vice chairman to its leadership structure to provide support on key governance matters and shareholder engagement to our chairman, lead independent director and the Board. These independent structures work in conjunction with the dual roles served by our chairman and chief executive officer. The Board believes the Board and company's leadership structure functions well for our company and is in the best interests of our stockholders based on the company's current strategy and ownership structure.
Board Refreshment	Our Board is committed to creating an effective mix of useful expertise and fresh perspectives among its members, including through 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 four new directors, one in 2015, one in 2016, one in 2017 and one in 2019.
Committee Rotations	As part of its annual review of Board committee composition and committee chairmen assignments, in May 2018 and again in March 2019, the Board reconstituted its committees 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 or 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 regularly reviews committee and director performance and practices through an annual process of self-evaluation.
Risk Oversight and Financial Reporting	Our Board seeks to provide robust oversight of current and potential risks facing our company through regular deliberations and participation in management meetings. Our Audit Committee supports strong financial reporting oversight through regular meetings with management and dialogue with our auditors.
Active Participation	Our Board held 14 meetings during 2018 and each person currently serving as a director attended at least 86% of the meetings of our Board and any Board committee on which he or she served.

2019 Board of Directors Nominees

Our Board aims to create a team of directors with diverse experiences and perspectives to provide our complex, global company with thoughtful and engaged board oversight. When selecting new directors, our Board considers, among other things, the nominee's breadth of experience, financial expertise, integrity, ability to make independent analytical inquiries, understanding of our company's business environment, experience in areas relevant to our company's businesses and willingness 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 a diversity of backgrounds, experience and viewpoints among Board members. Our Board also endeavors to actively seek out highly qualified women and individuals from underrepresented minorities to include in the pool from which Board nominees are chosen and has engaged in a purposeful process of regular refreshment as demonstrated by the following key metrics:



The following table provides summary information about each director nominee. Each director is elected annually by a majority of the votes cast.

Name	Director Since	Age	Occupation	Independent	Committee Memberships			
					AC	CC	NCGC	AcqC
Bradley S. Jacobs	2011	62	Chairman and Chief Executive Officer, XPO Logistics, Inc.					
Gena L. Ashe	2016	57	President and Chief Executive Officer, GLA Legal Advisory Group, LLC	Y	✓			✓
Marlene M. Colucci	2019	56	Executive Director of The Business Council	Y		✓		✓
AnnaMaria DeSalva	2017	50	Vice Chairman, XPO Logistics, Inc. Senior Advisor, DowDuPont; Former Chief Communications Officer, E.I. du Pont de Nemours & Co.	Y			C	
Michael G. Jesselson	2011	67	Lead Independent Director, XPO Logistics, Inc. President and Chief Executive Officer, Jesselson Capital Corporation	Y	✓	✓	✓	
Adrian P. Kingshott	2011	59	Chief Executive Officer, AdSon, LLC	Y			C	✓
Jason D. Papastavrou*	2011	56	Founder and Chief Investment Officer, ARIS Capital Management, LLC	Y	✓	✓	✓	C
Oren G. Shaffer*	2011	76	Former Vice Chairman and Chief Financial Officer, Qwest Communications International, Inc.	Y	C			

AC = Audit Committee

CC = Compensation Committee

NCGC = Nominating and Corporate Governance Committee















AcqC = Acquisition Committee

C = Committee Chairman

✓ = Committee Member

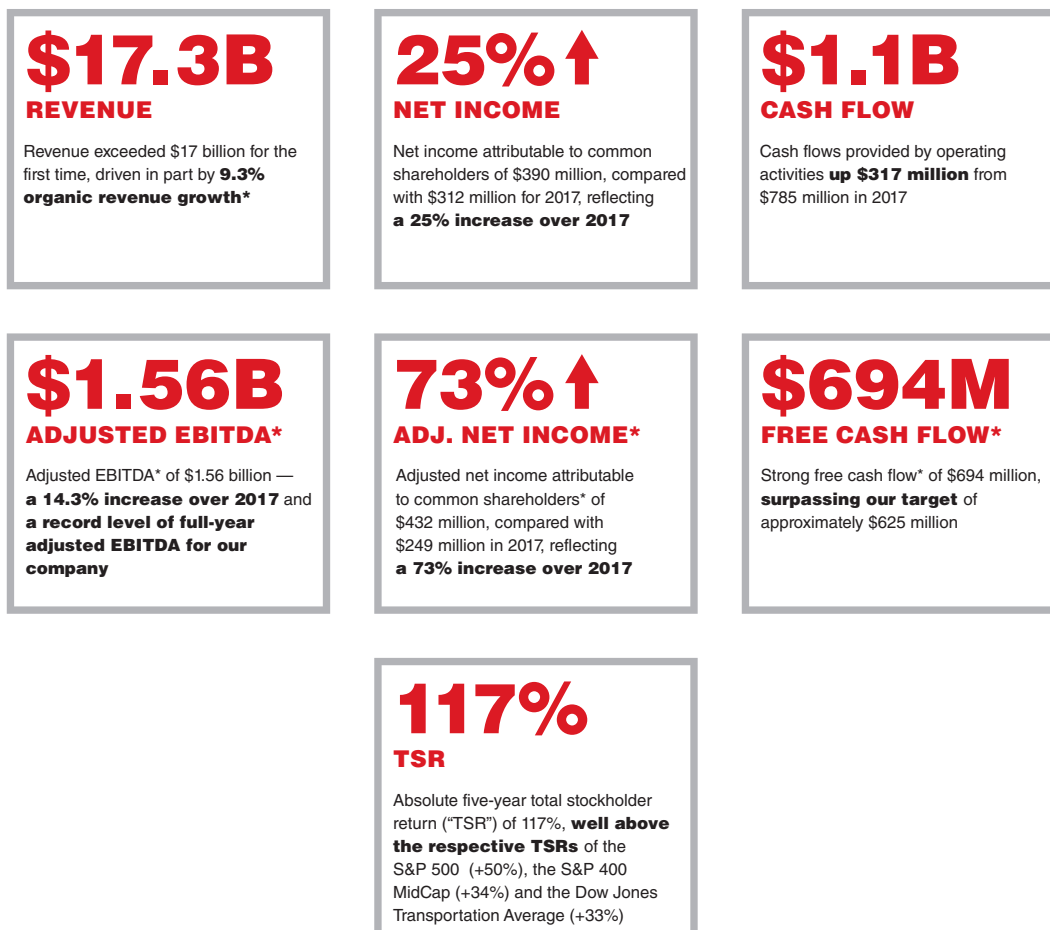
* = Audit Committee Financial Expert

The following table provides a summary of the qualifications and experience of our director nominees.

SKILL	TOTAL OF 8
 BUSINESS OPERATIONS	8
 CORPORATE GOVERNANCE	8
 CUSTOMER SERVICE	4
 ENVIRONMENTAL SUSTAINABILITY AND CORPORATE RESPONSIBILITY	5
 EFFECTIVE CAPITAL ALLOCATION	5
 CRITICAL ANALYSIS OF CORPORATE FINANCIAL STATEMENTS AND CAPITAL STRUCTURES	7
 HUMAN RESOURCE MANAGEMENT	5
 MULTINATIONAL CORPORATE MANAGEMENT	8
 SALES AND MARKETING	3
 MERGERS AND ACQUISITIONS, INTEGRATION AND OPTIMIZATION	7
 TRANSPORTATION AND LOGISTICS INDUSTRY	2
 RISK MANAGEMENT	8
 TALENT MANAGEMENT AND ENGAGEMENT	8
 TECHNOLOGY AND INFORMATION SYSTEMS	3

2018 Performance Highlights

In 2018, XPO delivered a year of record results. Under the leadership of our NEOs, in 2018 we reported:



* See Annex A for a reconciliation of this Non-GAAP measure.

Sustainability Efforts

We are pleased to have published our 2018 Sustainability Report highlighting our initiatives in the following areas:



PEOPLE AND CULTURE Our people are our greatest strength as a company and the bedrock of our organization. That's why our highest priority is to provide a rewarding workplace that's safe, welcoming and supportive of professional development. We actively look to recruit individuals who are passionate about making a difference at every level. Whether it's through improving business processes or volunteering for charitable causes, we're at our best when each of us seeks to better the lives of those around us. This communal sense of responsibility connects our team worldwide as One XPO.

MOVING THE WORLD FORWARD At XPO, we're providing many of the world's most prominent companies with innovative solutions that help them future-proof their supply chains. We believe that great technology in the hands of highly engaged employees is the ultimate way to differentiate our services and deliver tangible value to our customers and investors.

SAFETY-FIRST COLLABORATION At XPO, our strong safety culture is rooted in how we think about our company and our personal responsibilities at work. We're a team that looks out for each other, our communities and our environment. Safety is our number one priority – it touches every aspect of our business, every XPO stakeholder and every member of the XPO family.

GOVERNANCE AND COMPLIANCE The best way to guarantee our success and the success of our stakeholders is to perform to the highest standards of business conduct – not just with large projects, but in the small ways we interact daily. We're proud that Fortune magazine named XPO one of the World's Most Admired Companies again in 2019. It reflects how others see us and shows that we're earning trust.

2018 Compensation Highlights

Our compensation program for NEOs is focused on our dedication to a pay-for-performance culture and our commitment to align executive compensation with long-term stockholder value.

Dedication to Pay-for-Performance Culture

In recognition of the fact that XPO did not meet its adjusted EBITDA goal in 2018, and in their unwavering dedication to leading our company's pay-for-performance culture by example, our Compensation Committee, together with our NEOs, took the following actions:

-
- ✓ In 2018, Mr. Jacobs, Mr. Cooper and Mr. Harik voluntarily declined a portion of the long-term incentive payout otherwise due to them in respect of 2018 valued at \$4 million in total.

 - ✓ No NEOs received full target bonus payouts for 2018.

 - ✓ Four of our six NEOs received no bonus for 2018.

 - ✓ Mr. Jacobs and Mr. Cooper voluntarily declined their full 2018 cash bonuses.
-

Commitment to Align Executive Compensation with Long-Term Stockholder Value Creation

All outstanding equity awards for Mr. Jacobs, Mr. Cooper and Mr. Harik are performance-based. In addition, for each of Mr. Jacobs, Mr. Cooper and Mr. Harik, we:



Key Features of the 2019 – 2022 PRSUs

-
- ✓ Award cannot be earned until after the four-year performance period ending December 31, 2022

 - ✓ No overlapping payment periods with other outstanding awards - the final tranche of the 2016 cash-settled PRSU grant to each of Mr. Jacobs, Mr. Cooper and Mr. Harik is scheduled to pay out in the first quarter of 2020, if performance is achieved

 - ✓ Requires achievement of both of the following high-growth stretch goals:
 - Average stock price of \$225 over a 20-trading day period
 - Average stock price represents an approximate 41% increase in share price per year over the four-year period compared to XPO's closing stock price on December 31, 2018
 - Adjusted cash flow per share of \$14.00 by December 31, 2022
 - Adjusted cash flow per share performance criteria requires:
 - A 20% compounded annual growth rate in Adjusted EBITDA over the four-year period
 - More than 120% growth in adjusted cash flow per share versus 2018
-

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

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” or our “company”) in connection with our 2019 Annual Meeting of Stockholders (the “Annual Meeting”) or any adjournment or postponement thereof. This Proxy Statement (the “Proxy Statement”) is being furnished by our Board of Directors for use at the Annual Meeting to be held on May 15, 2019 at 10:00 a.m. Eastern Daylight Time at Doral Arrowwood, 975 Anderson Hill Road, Rye Brook, NY 10573.

This Proxy Statement and form of proxy are first being mailed on or about April 22, 2019, to our stockholders of record as of the close of business on April 12, 2019 (the “Record Date”).

The following answers address some questions you may have regarding our Annual Meeting. These questions and answers may not include all of 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 eight (8) members of our Board of Directors for a term to expire at the 2020 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 fiscal year 2019 (Proposal 2);
- To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder by 2,000,000 to a total of 5,400,000, extend the term of the plan and make certain other changes (Proposal 3);
- To conduct an advisory vote to approve the executive compensation of our named executive officers (“NEOs”) as disclosed in this Proxy Statement (Proposal 4);
- To consider and act upon a stockholder proposal regarding the requirement that the chairman of the Board be an independent director, if properly presented at the Annual Meeting (Proposal 5);
- To consider and act upon a stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives, if properly presented at the Annual Meeting (Proposal 6); and
- To consider and transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Senior management of XPO and representatives of our outside auditor, KPMG, will be available to respond to appropriate 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 April 12, 2019, 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 92,233,726 shares of common stock issued and outstanding, 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 71,110 shares of Series A Preferred Stock issued and outstanding. 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 shares 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 102,392,297 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, you will need to obtain and bring an admission ticket as outlined below. If the shares of common stock you hold are in an account at a broker, dealer, commercial bank, trust company or other nominee (i.e., in

“street name”), and you 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 your shares.

Do I need a ticket to attend the Annual Meeting?

Yes, you will need an admission ticket to enter the Annual Meeting. You may request tickets by providing evidence of your ownership of shares of XPO common stock 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 stockholdermeetings@xpo.com; or
- By calling us toll-free at 1-855-976-6951.

Stockholders also must present a form of personal photo identification in order to be admitted to the Annual Meeting. No cameras, mobile phones or other electronic or recording devices will be allowed to be used in the meeting room.

How many shares of XPO common stock or Series A Preferred Stock 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 51,196,150 votes must be present at the Annual Meeting, in person or by proxy. If you vote by internet, telephone or proxy card, the shares you vote 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 without giving specific instructions, your shares will be voted in accordance with the recommendations of our Board of Directors with respect to the specific proposals described in this Proxy Statement and at 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 eight (8) directors.** The election of each of the eight (8) 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) 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 of our common stock on the election of directors if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, in order 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 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 fiscal year 2019.** Ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2019 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 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: Approval of an amendment to the company’s 2016 Omnibus Incentive Compensation Plan to increase the number of available shares, extend the term of the plan and make certain other changes.** The approval of an amendment to the company’s 2016 Omnibus Incentive Compensation Plan 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 of our common stock on this proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, in order for your vote to be counted for or against the amendment to the company's 2016 Omnibus Incentive Compensation Plan, you will need to communicate your voting decision 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 and will have no effect on the vote on this proposal.

- **Proposal 4: Advisory vote to approve executive compensation.** Advisory approval of the resolution on executive compensation of our NEOs 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 of our common stock 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 of our common stock, in order 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 and will have no effect on the advisory vote to approve executive compensation.

- **Proposal 5: Stockholder proposal regarding the requirement that the chairman of the board be an independent director.** Approval of a policy requiring that the chairman of the board of directors be appointed from among independent directors 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 of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision 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 and will have no effect on the vote on this stockholder proposal.

- **Proposal 6: Stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives.** Approval of a policy requiring the company to adopt measures to strengthen prevention of workplace sexual harassment and align senior executive compensation incentives 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 of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision 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 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 fiscal year 2019, **"FOR"** approval of an amendment to the company's incentive compensation plan, **"FOR"** advisory

approval of the resolution to approve executive compensation, **“AGAINST”** the approval of the stockholder proposal regarding the requirement that the chairman of the board be an independent director, if such proposal is properly presented at the meeting, and **“AGAINST”** the approval of the stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives, if such proposal is properly presented at the meeting.

What do I need to do now?

We urge you to read this Proxy Statement carefully, then mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares of our common stock 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 15, 2019. 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 15, 2019.

If you are the beneficial owner of shares of our common stock, 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 indicated 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 votes 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 eight nominees for director named in “Proposal 1–Election of Directors,” **“FOR”** ratification of KPMG as our independent registered public accounting firm for fiscal year 2019, **“FOR”** approval of an amendment to the company’s incentive compensation plan to increase the number of available shares, extend the term of the plan and make certain other changes, **“FOR”** advisory approval of the resolution to approve executive compensation, **“AGAINST”** the approval of the stockholder proposal regarding the requirement that the chairman of the Board be an independent director, if properly presented at the Annual Meeting, and **“AGAINST”** the approval of the stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives, 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 of our common stock 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 with respect to 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 Fiscal Year 2019” will be determined to be 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 are a registered stockholder (i.e., you hold your shares of our common stock 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”) and 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 on a Current Report on Form 8-K to be filed with the U.S. 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?

The company 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 e-mail 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 shares of our 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 2018 Annual Report to stockholders is being delivered to that address unless contrary instructions from any stockholder at that address are received. This practice, known as “householding,” is intended to reduce our printing and postage costs. However, any such street-name stockholders residing at the same address who wish to receive a separate copy of this Proxy Statement and the 2018 Annual Report may request a copy by contacting their 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 1-855-976-6951. 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.

Can I obtain an electronic copy of the Company’s proxy materials?

Yes, this Proxy Statement and our 2018 Annual Report are available on the internet at www.edocumentview.com/XPO.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

An Overview of Our Mission and How Our Board Composition Is Aligned with Our Strategy

Our mission is to be the leading provider of cutting-edge supply chain solutions to the most successful companies in the world, and to do this by using our highly integrated network of people, technology and physical assets to help our customers manage their goods most efficiently throughout their supply chains. We run our business on a global basis, with over 50,000 customers served by more than 100,000 employees and 1,535 locations in 32 countries, including the United States, France, the United Kingdom and Spain. Our transportation segment offers customers an unmatched network of multiple modes, flexible capacity and route density that transports freight quickly and cost effectively from origin to destination. Through our logistics segment, we provide a range of differentiated and data-intensive services, including highly engineered and customized solutions, value-added warehousing and distribution, omnichannel fulfillment, cold chain distribution, reverse logistics, surge management and other inventory management solutions.

Our blueprint for transforming transportation and logistics is rooted in innovation and revolves around our people. We care deeply about keeping our employees and customers happy, and we view safety, sustainability, strong governance and a purpose-driven culture as essential components of value creation. In addition, our company is a leading proponent of technology, with a global team of technologists and data scientists who concentrate their efforts in four areas of innovation: (1) automation and intelligent machines, (2) visibility and customer service, (3) the digital freight marketplace and (4) dynamic data science. Our success depends on our people.

Our Board of Directors consists of a highly skilled group of leaders who share our values and reflect our culture. Many of our directors have served as executive officers or served on boards of major companies and have an extensive understanding of the principles of corporate governance. In addition, our directors have a strong owner orientation—approximately 18.3% 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). As described on page 17, our Board as a whole has broad expertise with the following skill sets that are relevant to our company, business, industry and strategy:

- Business operations;
- Corporate governance;
- Customer service;
- Environmental sustainability and corporate responsibility;
- Effective capital allocation;
- Critical analysis of corporate financial statements and capital structures;
- Human resource management;
- Multinational corporate management;
- Sales and marketing;
- Mergers and acquisitions, integration and optimization;
- The transportation and logistics industry;
- Risk management;
- Talent management and engagement; and
- Technology and information systems.

Directors

Our Board of Directors currently consists of eight (8) members, as set forth in the table below. The current term of each of our directors will expire at the Annual Meeting. Our Board has nominated all of the current directors to stand for election at the Annual Meeting, as set forth in Proposal 1 on page 59 of this Proxy Statement.

Name	Occupation
Bradley S. Jacobs	Chairman and Chief Executive Officer, XPO Logistics, Inc.
Gena L. Ashe	President and Chief Executive Officer, GLA Legal Advisory Group, LLC
Marlene M. Colucci	Executive Director, The Business Council
AnnaMaria DeSalva	Vice Chairman, XPO Logistics, Inc.; Senior Advisor, DowDuPont; Former Chief Communications Officer, E.I. du Pont de Nemours & Co.
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	Former Vice Chairman and Chief Financial Officer, 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, JPE 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 own securities representing the required voting power to qualify for the right to designate nominees for our Board of Directors. 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 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.

Set forth below is 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

Chairman and Director since 2011

Age: 62

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 member of JPE, which is our second largest stockholder. Prior to XPO, he 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.

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 as its chief executive officer;
- Leadership experience as the company's chairman and chief executive officer, and a 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

Age: 57

Ms. Ashe has served as a director of the company since March 21, 2016. Ms. Ashe has served as the president and chief executive officer of GLA Legal Advisory Group, LLC since February 2018. Also, Ms. Ashe has served as vice-chairman of the Supervisory Board of XPO Logistics Europe S.A., our majority-owned subsidiary, since February 2017. She was senior vice president, chief legal officer and corporate secretary of Adtalem Global Education Inc. (NYSE: ATGE) from May 2017 to February 2018, and executive vice president, chief legal officer, and corporate secretary of BrightView Landscapes, LLC (formerly The Brickman Group, Ltd. LLC) from December 2012 to June 2016. Earlier, she served as senior vice president of legal affairs for Catalina Marketing Corporation and held senior legal roles with the Public Broadcasting Service ("PBS"), Darden Restaurants, Inc., Lucent Technologies and AT&T. Earlier in her career, Ms. Ashe served as an electrical engineer and scientist for IBM Corporation before joining IBM's legal team. Ms. Ashe holds a juris doctorate degree from Georgetown University Law Center, where she serves on the Georgetown Law Advisory Board, a master's degree in electrical engineering from Georgia Institute of Technology and a bachelor's degree in mathematics from Spelman College, where she sits on the Board of Trustees. She has completed the executive development program at the Wharton School of the University of Pennsylvania and holds a certificate in international management from Oxford University in England.

Board Committees:

- Member of Audit Committee
- Member of Acquisition 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.

Marlene M. Colucci

Director since 2019

Age: 56

Ms. Colucci has served as a director of the company since February 7, 2019. She has served as the executive director of The Business Council in Washington, D.C. since July 2013. Previously, she was executive vice president of public policy for the American Hotel & Lodging Association from September 2005 to June 2013, where she provided guidance on regulatory matters. From September 2003 to June 2005, she served in the White House as special assistant to President George W. Bush in the Office of Domestic Policy. In this role, she developed labor, transportation and postal reform policies and advised the president and his staff on related matters. Earlier, Ms. Colucci served as deputy assistant secretary with the U.S. Department of Labor's Office of Congressional and Intergovernmental Affairs. Her law career includes more than 12 years with the firm of Akin Gump Strauss Hauer & Feld LLP, where she served as senior counsel. She holds a juris doctorate degree from the Georgetown University Law Center.

Board Committees:

- Member of Compensation Committee
- Member of Acquisition Committee

Other Public Company Boards: None***Ms. Colucci brings to the Board:***

- Significant experience with public policy development, including labor and transportation policy, from over two decades of relevant government and private sector experience; and
- Meaningful perspectives on matters of corporate governance and business operations from her tenure leading the premier association of chief executive officers of the world's most important business enterprises.

AnnaMaria DeSalva

Director since 2017

Age: 50

Vice Chairman since 2019

Ms. DeSalva has served as a director of the company since September 19, 2017, and vice chairman of the Board since February 7, 2019. She is a senior corporate affairs advisor to leading companies. Ms. DeSalva served as chief communications officer of E.I. du Pont de Nemours & Co. (DuPont) from March 2014 to January 31, 2018 and currently serves as senior advisor to the CEO of DowDuPont. Previously, she served as vice president of corporate affairs for biopharmaceutical innovation at Pfizer; was an advisor to the U.S. Food and Drug Administration; and led the global healthcare practice of Hill & Knowlton. For Bristol-Myers Squibb, she led global public affairs for the oncology business and served as the director of the Bristol-Myers Squibb Foundation. Ms. DeSalva serves on the board of governors of Argonne National Laboratory of the U.S. Department of Energy and is a member of its compensation and nominating committees; as well as the boards of directors of the non-profit Project Sunshine and the William & Mary Alumni Association. She is a graduate of The College of William & Mary in Williamsburg, Virginia; and has completed the Harvard School of Public Health's executive education program in risk communication, and the Advanced Health Leadership Program jointly offered by the University of California at Berkeley and Pompeu University in Barcelona, Spain.

Board Committees:

- Chairman of Nominating and Corporate Governance Committee

Other Public Company Boards: None***Ms. DeSalva brings to the Board:***

- Significant experience in corporate affairs, regulatory affairs and corporate social responsibility, having previously served in senior leadership roles at several public companies; and
- Expertise in managing significant public company merger transactions, with an emphasis on effective change management and external stakeholder engagement.

Michael G. Jesselson

Director since 2011

Age: 67

Lead Independent Director since 2016

Mr. Jesselson has served as director of the company since September 2, 2011, and as lead independent director since March 20, 2016. He has been president and chief executive officer of Jesselson Capital Corporation since 1994. Mr. Jesselson served as a director of American Eagle Outfitters, Inc. (NYSE: AEO) from November 1997 to May 2017, most recently as its lead independent director. Prior to that, he worked at Philipp Brothers, a division of Engelhard Industries from 1972 to 1981, then at Salomon Brothers Inc. in the financial trading sector. He is a director of C-III Capital Partners LLC, Clarity Capital and other private companies, as well as numerous philanthropic organizations. Mr. Jesselson also serves as the chairman of Bar Ilan University in Israel. He attended New York University School of Engineering.

Board Committees:

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

Other Public Company Boards: None***Mr. Jesselson brings to the Board:***

- Significant experience with public company corporate governance issues through prior service on the board of directors of American Eagle Outfitters, including as its lead independent director; and
- Extensive investment expertise.

Adrian P. Kingshott

Director since 2011

Age: 59

Mr. Kingshott has served as a director of the company since September 2, 2011. He has served as the chief executive officer of AdSon, LLC since October 2005, managing director of Spotlight Advisors, LLC since September 2015 and a member of the board of directors of Centre Lane Investment Corp. since May 2011. Mr. Kingshott was a senior advisor to Headwaters Merchant Bank from 2013 until June 2018. Previously, with Goldman Sachs, he was co-head of the firm's Global 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 and Investments at Fordham University's Gabelli School of Business. He holds a master's degree in business administration from Harvard Business School and a master of jurisprudence degree from Oxford University.

Board Committees:

- Chairman of Compensation 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

Age: 56

Dr. Papastavrou has served as a director of the company since September 2, 2011. He founded ARIS Capital Management, LLC in 2004 and serves as its chief investment officer. 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. (NYSE: URI).

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 related to 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

Age: 76

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. Additionally, Mr. Shaffer is a director on the board of Terex Corporation (NYSE: TEX). 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.

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 related to his qualifications as an "audit committee financial expert" under SEC regulations.

Summary of Qualifications and Experience of Director Nominees

	Bradley S. Jacobs	Gena L. Ashe	Marlene M. Colucci	AnnaMaria DeSalva	Michael G. Jesselson	Adrian P. Kingshott	Jason D. Papastavrou, Ph.D.	Oren G. Shaffer
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 experience brings an important perspective to our Board given the importance of customer service to our business model.	✓	✓		✓	✓			
ENVIRONMENTAL SUSTAINABILITY AND 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.	✓	✓	✓	✓	✓			
EFFECTIVE CAPITAL ALLOCATION experience is crucial to our Board's evaluation of our financial statements and capital structure.	✓				✓	✓	✓	✓
CRITICAL ANALYSIS OF CORPORATE FINANCIAL STATEMENTS AND CAPITAL STRUCTURES assists our directors in understanding and overseeing our financial reporting and internal controls.	✓	✓		✓	✓	✓	✓	✓
HUMAN RESOURCE MANAGEMENT experience allows our Board to further our company's goals in making XPO an inclusive and attractive employment environment and aligning human resources objectives with our strategic and operational priorities.	✓	✓	✓	✓	✓			
MULTINATIONAL CORPORATE MANAGEMENT experience is important, given the global nature of our business strategy and operations.	✓	✓	✓	✓	✓	✓	✓	✓
SALES AND MARKETING experience helps our Board assist with our business strategy and with developing new products and operations.	✓	✓		✓				
MERGERS AND ACQUISITIONS, INTEGRATION AND OPTIMIZATION experience helps our company identify the optimal targets for M&A activity to achieve our strategic objectives and realize synergies and growth.	✓	✓		✓	✓	✓	✓	✓
TRANSPORTATION AND 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 AND ENGAGEMENT experience helps XPO attract, motivate and retain top candidates for leadership roles.	✓	✓	✓	✓	✓	✓	✓	✓
TECHNOLOGY AND INFORMATION SYSTEMS experience is relevant as we continually seek 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 as well as a lead independent director and an independent vice chairman. 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 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.

To assist our Board to further strengthen its independent decision-making, our Board of Directors has approved a set of Corporate Governance Guidelines (the "Guidelines"), which 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 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, in 2018, our independent directors met in executive sessions much more frequently. 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 discussion of issues. The lead independent director is also available to meet with significant stockholders as appropriate and required.

In addition, on February 7, 2019, the Board established an independent vice chairman position as part of its ongoing commitment to strong corporate governance. The position of vice chairman is defined as an independent director with authorities and duties that include, among others: (i) presiding at meetings of the Board where the chairman and lead independent director are not present; (ii) assisting the chairman, when appropriate, in carrying out his or her duties; (iii) assisting the lead independent director, when appropriate, in carrying out his or her duties; and (iv) such other duties, responsibilities and assistance as the Board or the chairman may determine. Ms. DeSalva was appointed to serve as vice chairman on February 7, 2019, to provide support on key governance matters and stockholder engagement to the chairman, lead independent director and the Board.

Further information regarding the positions of lead independent director and vice chairman 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 14 meetings during 2018. In 2018, each person currently serving as a director attended at least 86% of the meetings of our Board of Directors and any Board committee on which he or she served. In addition, our Board of Directors acted twice during 2018 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. Marlene M. Colucci, who was appointed to the Board on February 7, 2019, has notified the chairman of the Board that she will be unable to attend the 2019 annual meeting due to a prior business commitment. Each of our then seven directors serving and standing for re-election attended the 2018 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. Our business, strategy, operations, policies, controls and prospects are regularly discussed by our Board of Directors with our senior management team, including discussions as to current and potential risks and approaches for assessing, monitoring, mitigating and controlling risk exposure. The management of the risks that we face in the conduct of our business is primarily the responsibility of our senior management team. In addition, 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 and overall compliance with legal and regulatory requirements.

- **Compensation Committee.** The Compensation Committee monitors the risks associated with our compensation philosophy and programs to ensure that the company has a compensation structure that strikes an appropriate balance in motivating our senior executives to deliver long-term results for the company's stockholders, while simultaneously holding our senior leadership team accountable.
- **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.

In addition, our Board of Directors periodically holds special sessions to evaluate topical trends identified as significant risks or items of strategic interest, such as human resource management, information technology and cyber security. Our Board of Directors is committed to ensuring that our company has the focus, resources and infrastructure to appropriately address such risks.

Committees of the Board and Committee Membership

Our Board of Directors has established four separately designated standing committees to assist the Board 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. Each of our Board committees have written charters that comply 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, without charge, by sending a request to: Secretary, 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 consideration of appropriate member qualifications, to recommend to our Board of Directors all committee assignments, including designations of the chairmen. Each committee is authorized to retain, in each committee's sole authority, its own outside counsel and other advisors at the company's expense 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	✓			✓
Marlene M. Colucci		✓		✓
AnnaMaria DeSalva			C	
Michael G. Jesselson	✓	✓	✓	
Adrian P. Kingshott		C		✓
Jason D. Papastavrou*	✓	✓	✓	C
Oren G. Shaffer*	C			

C = Committee chairman

✓ = Committee member

* = Audit Committee Financial Expert

A brief summary of the committees' responsibilities follows:

Audit Committee. Our Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to assist 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 independent registered public accounting firm, (v) the performance of our independent registered public accounting firm 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. During 2018, the Audit Committee was comprised of the following three directors: Mr. Shaffer (chairman), Mr. Kingshott and Dr. Papastavrou. The Audit Committee met seven times during 2018 and, in addition, acted twice 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. On March 13, 2019, Mr. Kingshott stepped down as a member of the Audit Committee, and Ms. Ashe and Mr. Jesselson were appointed as members of the Audit Committee.

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 and approve the compensation of our executive management, (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. During 2018, the Compensation Committee was comprised of the following three directors: Mr. Kingshott (chairman), Mr. Jesselson and Dr. Papastavrou. The Compensation Committee met seven times during 2018 and, in addition, acted four times via unanimous written consent. On March 13, 2019, Ms. Colucci was appointed as a member of the Compensation Committee.

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, 2018 to May 17, 2018, the Nominating and Corporate Governance Committee was comprised of the following three directors: Ms. Ashe (chairman), Mr. Jesselson and Dr. Papastavrou. Ms. DeSalva replaced Ms. Ashe as the chairman on May 17, 2018. The Nominating and Corporate Governance Committee met four times during 2018.

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, 2018 to May 17, 2018, the Acquisition Committee was comprised of the following three directors: Dr. Papastavrou (chairman), Mr. Louis DeJoy and Mr. Kingshott. Ms. Ashe replaced Mr. DeJoy on May 17, 2018. The Acquisition Committee did not meet during 2018. On March 13, 2019, Ms. Colucci was appointed as a member of the Acquisition Committee.

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 2018.

2018 Director Compensation Table⁽¹⁾

Name	Fees Earned or Paid in Cash (\$)	Stock Awards ⁽²⁾ (\$)	Option Awards (\$)	Total (\$)
Gena L. Ashe ⁽³⁾	\$ 80,645	\$191,546	—	\$272,192
Louis DeJoy ⁽⁴⁾	\$ 28,228	\$ 0	—	\$ 28,228
AnnaMaria DeSalva ⁽⁵⁾	\$ 84,354	\$191,546	—	\$275,900
Michael G. Jesselson ⁽⁶⁾	\$100,000	\$191,546	—	\$291,546
Adrian P. Kingshott ⁽⁷⁾	\$ 90,000	\$191,546	—	\$281,546
Jason D. Papastavrou ⁽⁸⁾	\$ 90,000	\$191,546	—	\$281,546
Oren G. Shaffer ⁽⁹⁾	\$100,000	\$191,546	—	\$291,546

⁽¹⁾ Compensation information for Mr. Jacobs, who is a NEO 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 2018, 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 14. Stock-Based Compensation” of our company’s Annual Report on Form 10-K for the year ended December 31, 2018. The values reported in this column represent 2,071 restricted stock units (“RSUs”) granted to each of our directors on January 2, 2018. Each current director serving on January 2, 2019, also received a grant of 3,249 RSUs on such date for service as a director in 2019; these grants are not reflected in the table above.

⁽³⁾ As of December 31, 2018, Ms. Ashe held 8,757 RSUs. Does not include €65,000 of fees paid to Ms. Ashe for her service as vice-chairman of the Supervisory Board of XPO Logistics S.A., our majority-owned subsidiary.

⁽⁴⁾ Mr. DeJoy ceased to be a director of the company on May 17, 2018.

⁽⁵⁾ As of December 31, 2018, Ms. DeSalva held 2,071 RSUs. As of the Record Date, Ms. DeSalva beneficially owns a total of 2,881 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, 2018, Mr. Jesselson held 24,000 stock options and 6,041 RSUs. As of the Record Date, Mr. Jesselson beneficially owns a total of 347,764 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, 2018, Mr. Kingshott held 24,000 stock options and 16,799 RSUs. As of the Record Date, Mr. Kingshott beneficially owns a total of 134,013 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”
- ⁽⁸⁾ As of December 31, 2018, Dr. Papastavrou held 24,000 stock options and 19,299 RSUs. As of the Record Date, Dr. Papastavrou beneficially owns a total of 242,888 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”
- ⁽⁹⁾ As of December 31, 2018, Mr. Shaffer held 24,000 stock options and 21,799 RSUs. As of the Record Date, Mr. Shaffer beneficially owns a total of 66,799 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.

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 Consulting Group, LLC (“Semler Brossy”), approved and adopted a revised non-employee director annual compensation program for the calendar year 2017 and subsequent years. Effective January 1, 2017, our non-employee directors receive an annual cash retainer of \$75,000, payable quarterly in arrears, and time-based RSUs (“Time-Based RSUs”) worth \$175,000. The annual grant of such Time-Based RSUs is made on the first business day of each year (the “RSU Grant Date”) and the number of such units is 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 also receives an additional \$25,000 annual cash retainer, payable quarterly in arrears. Under the revised non-employee director annual compensation program, the chairmen of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Acquisition Committee each receive an additional cash retainer of \$25,000, \$15,000, \$15,000 and \$15,000, respectively, payable quarterly in arrears. On February 7, 2019, the company’s Board of Directors established the position of vice chairman of the Board, who receives an additional \$25,000 annual cash retainer, payable quarterly in arrears. No other fees are paid to our directors for their attendance at or participation in meetings of our Board or its committees. We also reimburse our directors for expenses incurred in the performance of their duties, including reimbursement for air travel and hotel expenses.

In 2016, our Board adopted a stock ownership policy establishing 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 they have settled or been exercised, as applicable. Until the guidelines are met, 70% of shares received upon settlement of equity-based awards are required to be retained by the director. Under the policy, a newly-appointed director is required to reach the required ownership level no later than three years from the date of his or her appointment. As of the Record Date, each of our non-employee directors was in compliance with our stock ownership policy.

Compensation Committee Interlocks and Insider Participation

During 2018, the Compensation Committee was comprised of the following three directors: Mr. Kingshott (chairman), Mr. Jesselson and Dr. Papastavrou. None of the members of our Compensation Committee has been an officer or employee of our company. During 2018, there were no material transactions between the company and the members of the Compensation Committee, and none of our executive officers served as a member of the compensation committee, or the board of directors, of any entity that has one or more executive officers serving on our Compensation Committee or on our Board of Directors.

Corporate Governance Guidelines and Code of Business 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 on February 7, 2019, to establish the position of vice chairman. The vice chairman of the Board provides support on key governance matters and stockholder engagement to the chairman, lead independent director and the Board.

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 an 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: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

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 2018, except Mr. Jacobs, our chairman of the Board and chief executive officer, and Mr. Louis DeJoy, who served as a director until May 17, 2018, 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. Colucci, those relationships included ordinary course commercial transactions between our company and an entity for which Ms. Colucci is an executive. For Dr. Papastavrou, those relationships included ordinary course commercial transactions between our company and an entity for which Dr. Papastavrou 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 underrepresented minorities to include in the pool from which Board nominees are chosen. Our Board aims to create a team of directors with diverse experiences and perspectives to provide our complex, global company with thoughtful and engaged board oversight. The Nominating and Corporate Governance Committee assesses the effectiveness of its diversity efforts through periodic evaluations of the Board’s composition.

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, including engaging a third party consulting firm to assist in identifying independent director nominees.

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 2019 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 Resource 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 engagement and satisfaction of all our employees. As we strive to grow our business, we are committed to maintaining XPO's superior work environment. Our efforts in human resource management focus on enhancing the robust training of our workforce, improving management capabilities and harmonizing best practices across our global operations. We tailor the development plan and management of each operating location to its specific type of operation and labor force. We also conduct quarterly surveys to gauge employee sentiment and conduct local assessments of the workforce at each site. In 2018, our management team reviewed more than 32,000 employee survey responses and acted on countless suggestions, including the creation of XPO Cares, our US-based relief fund for colleagues in disaster areas.

Our chief human resources officer, Meghan Henson, leads the company's global human resources organization. Ms. Henson is a seasoned innovator who has over 15 years of senior experience with notable companies, including PepsiCo and Chubb, directing domestic and international human resources operations. Our management team and Board of Directors work together in a transparent manner, allowing for open communication, including with respect to human resource-related matters. Our directors have access to all information about our human resource 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. Our directors also have opportunities to attend and participate in executive leadership meetings with our mid-level and senior-level operating executives. We aim to integrate our human resources functions with our operational objectives.

Our culture at XPO is about being safe, respectful, entrepreneurial, innovative and inclusive. We reinforce this through open-door management, our XPO University training curriculum, our Workplace virtual community and equal opportunity hiring policies. Most recently, XPO management, working together with the Board of Directors, took an active role in advancing our workplace culture by expanding our policies for pregnancy care and paid family bonding leave. Any employee of XPO who becomes a new parent through birth or adoption can qualify for six weeks of 100% paid leave as the infant's primary caregiver, or two weeks paid leave as the secondary caregiver. In addition, a woman receives up to 20 days of 100% paid parental leave for health and wellness and other preparations for her child's arrival. We are proud that our Pregnancy Care Policy is a gold standard that is progressive for any industry, nationally, and that clearly demonstrates our commitment to maintaining a superior work environment for all XPO employees.

Board Oversight of Sustainability Matters

Our approach to sustainability – and all areas of our business – is one of purpose-driven progress rooted in innovation. We work to promote environmental, social and organizational sustainability through the decisions we make and our interactions with colleagues, customers, suppliers and other stakeholders.

We believe that sustainability is essential to our company's long-term viability. It is good business and the right thing to do. It fosters equitable workplaces for our employees, both now and in the future. It is also important to many of our stakeholders who want to do business with partners who participate in the transition to a low-carbon economy.

We are pleased to have published our inaugural 2018 Sustainability Report detailing our objectives and progress in the areas of environmental sustainability, social initiatives and governance performance. Our 2018 Sustainability Report is available at www.xpo.com.

Sustainability features prominently in the deliberations among our directors and informs their overall approach to risk oversight at the Company. In addition, members of the Board have reviewed the contents of our 2018 Sustainability Report and have provided feedback to the Company.

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 to the Board that qualify as spam, junk mail, mass mailings, resumes or 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 2020 annual meeting of stockholders must be received by our Secretary no later than December 21, 2019, to be considered for inclusion in our proxy materials, pursuant to Rule 14a-8 under the Exchange Act.

As more specifically provided for 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 and 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 2020 annual meeting of stockholders is held on or after May 15, 2020, for example, any stockholder proposal to be considered at the 2020 annual meeting, including nominations of persons for election to our Board of Directors, must be properly submitted to us not earlier than November 17, 2019, nor later than February 15, 2020.

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, 2018, 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 5% 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, 2018, the company leased office space from three entities partially owned and controlled by Mr. Louis DeJoy, a member of our Board of Directors until May 17, 2018. In September 2014, in conjunction with the company's acquisition of New Breed Holding Company, XPO, through certain subsidiaries, entered into four commercial lease agreements covering a total of approximately 142,991 square feet of office space located in High Point, North Carolina, with the entities affiliated with Mr. DeJoy; these lease agreements were set to expire at various dates in 2019. In September 2017, the company entered into four new commercial lease agreements with the entities affiliated with Mr. DeJoy, amending and replacing the 2014 lease agreements. The 2017 lease agreements cover a total of approximately 222,060 square feet of office space located in High Point, North Carolina, and are set to expire on September 30, 2025. Each of the 2017 lease agreements provide the company, as tenant, with one five-year option period to extend the lease term. The company made rent payments associated with these lease agreements in an aggregate amount of \$1.86 million for the year ended December 31, 2018. In addition, the company paid operating expenses in connection with these leased properties of \$0.47 million for the year ended December 31, 2018.

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 NEO, 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	20,537,128	22.3%	—	—
Jacobs Private Equity, LLC	19,285,714 ⁽⁴⁾	17.3%	67,500	94.9%
Spruce House Investment Management LLC ⁽⁵⁾				
435 Hudson Street, 8th Floor, New York, NY 10014	12,842,055	13.9%	—	—
The Vanguard Group ⁽⁶⁾				
100 Vanguard Blvd., Malvern, PA 19355	11,136,516	12.1%	—	—
BlackRock, Inc. ⁽⁷⁾				
55 East 52nd street New York, NY 10055	11,095,856	12.0%	—	—
Directors:				
Gena L. Ashe	8,757 ⁽⁸⁾	*	—	—
Marlene M. Colucci	—	—	—	—
AnnaMaria DeSalva	2,881	*	—	—
Michael G. Jesselson	347,764 ⁽⁹⁾	*	725 ⁽¹⁰⁾	1.0%
Adrian P. Kingshott	134,013 ⁽¹¹⁾	*	300	*
Jason D. Papastavrou	242,888 ⁽¹²⁾	*	650 ⁽¹³⁾	*
Oren G. Shaffer	66,799 ⁽¹⁴⁾	*	—	—
NEOs:				
Bradley S. Jacobs ⁺	19,799,601 ⁽¹⁵⁾	17.7%	67,500	94.9%
Troy A. Cooper	178,396 ⁽¹⁶⁾	*	—	—
Kenneth R. Wagers III	7,006 ⁽¹⁷⁾	*	—	—
Sarah J.S. Glickman	2,842 ⁽¹⁸⁾	*	—	—
Mario A. Harik	220,163 ⁽¹⁹⁾	*	—	—
John J. Hardig	115,598 ⁽²⁰⁾	*	—	—
Current Directors and Executive Officers as a Group: (11 People)	21,004,106 ⁽²¹⁾	18.7%	69,175	97.3%

* 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) 92,233,726 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 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. 5 to the Schedule 13G filed on February 14, 2019 by Orbis Investment Management Limited (“OIML”), Orbis Investment Management (U.S.), L.P. (“OIMUS”) and Allan Gray Australia Pty Ltd (“AGAPL”), which reported that, as of December 31, 2018, OIML beneficially owned 20,340,427 shares of our common stock, OIMUS beneficially owned 187,566 shares of our common stock, and AGAPL beneficially owned 9,135 shares of our common stock. The group has sole voting and sole dispositive power over such shares of our common stock.
- (4) Consists of 9,642,857 shares of our common stock issuable upon conversion of 67,500 shares of our Series A Preferred Stock, and 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. 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 263,887 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 ⁽¹⁵⁾ below.
- (5) Based on Amendment No. 3 to the Schedule 13G filed on December 19, 2018, 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 19, 2018, Spruce House Investment Management LLC beneficially owned 12,750,000 shares of our common stock, Spruce House Capital LLC beneficially owned 12,750,000 shares of our common stock, The Spruce House Partnership LP beneficially owned 12,750,000 shares of our common stock, Zachary Sternberg beneficially owned 12,795,000 shares of our common stock and Benjamin Stein beneficially owned 12,797,055 shares of our common stock. 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 12,750,000 shares of our common stock. Zachary Sternberg has sole voting and dispositive power over 45,000 shares of our common stock. Benjamin Stein has sole voting and dispositive power over 47,055 shares of our common stock.
- (6) Based on Amendment No. 4 to the Schedule 13G filed on March 11, 2019 by The Vanguard Group, which reported that, as of December 31, 2018, The Vanguard Group beneficially owned 11,136,516 shares of our common stock with sole voting power over 96,490 shares of our common stock, shared voting power over 26,392 shares of our common stock, sole dispositive power over 11,017,569 shares of our common stock and shared dispositive power over 118,947 shares of our common stock.
- (7) Based on the Schedule 13G filed on April 10, 2019 by BlackRock, Inc., which reported that, as of March 31, 2019, BlackRock, Inc. beneficially owned 11,095,856 shares of our common stock, with sole voting power over 10,258,515 shares of our common stock and sole dispositive power over 11,095,856 shares of our common stock.
- (8) Consists of 8,757 RSUs that are or will become vested within 60 days of the Record Date.
- (9) Includes: (i) 15,000 shares of our common stock held in an individual retirement account of Michael G. Jesselson, (ii) 10,000 shares of our common stock owned by Mr. Jesselson’s spouse, (iii) 12,000 shares of our common stock beneficially owned by the SJJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (iv) 12,000 shares of our common stock beneficially owned by the RAJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (v) 12,000 shares of our common stock beneficially owned by the JJJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (vi) 10,000 shares of our common stock beneficially owned by Michael G. Jesselson and Linda Jesselson, Trustees UID 6/30/93 FBO Maya Ariel Ruth Jesselson, (vii) 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, (viii) 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, (ix) 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 Michael G. Jesselson and Linda Jesselson, Trustees UID 6/30/93 FBO Maya Ariel Ruth Jesselson, (x) 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 (xi) 6,041 RSUs that are or will become vested within 60 days of the Record Date.
- (10) See clause (vii) of footnote ⁽⁹⁾.
- (11) Includes: (i) 42,857 shares of our common stock issuable upon conversion of 300 shares of our Series A Preferred Stock, (ii) 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, (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) 16,799 RSUs that are or will become vested within 60 days of the Record Date.
- (12) 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 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, (iii) 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, (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) 19,299 RSUs that are or will become vested within 60 days of the Record Date.
- (13) See clause (ii) of footnote ⁽¹²⁾.
- (14) 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) 21,799 RSUs that are or will become vested within 60 days of the Record Date.
- (15) 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 263,887 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.
- (16) Includes: (i) 10,000 shares of our 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.
- (17) Mr. Wagers’ employment as chief operating officer of the company was terminated without cause effective March 11, 2019.
- (18) Includes 2,842 RSUs that are or will become vested within 60 days of the Record Date.
- (19) Includes 135,000 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) Mr. Hardig stepped down from his position as chief financial officer on August 15, 2018. The information provided herein is based on the last Form 4 filed by Mr. Hardig on February 21, 2018.
- (21) Includes: (i) 9,882,142 shares of our common stock issuable upon conversion of 69,175 shares of our preferred stock, (ii) 9,921,965 shares of our common stock issuable upon the exercise of 9,921,965 warrants at an exercise price of \$7.00 per share of our common stock, (iii) 506,000 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) 75,537 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's executive compensation program for 2018. The Compensation Committee of our Board of Directors (the "Committee") oversees our executive compensation program and practices. In this section, we explain how and why the Committee made its 2018 compensation decisions for the following NEOs:

NEO	TITLE
Bradley S. Jacobs	<i>Chairman and Chief Executive Officer</i>
Troy A. Cooper	<i>President</i>
Mario A. Harik	<i>Chief Information Officer</i>
Kenneth R. Wagers III	<i>Former Chief Operating Officer and Interim President, LTL North America (served until March 11, 2019)</i>
John J. Hardig	<i>Former Chief Financial Officer (served until August 15, 2018)</i>
Sarah J.S. Glickman	<i>Acting Chief Financial Officer</i>

Executive Summary

2018 Performance Highlights

In 2018, XPO delivered a year of record results. Under the leadership of our NEOs, our company's revenue exceeded \$17 billion for the first time, driven in part by 9.3% organic revenue growth*. Additionally, we reported:

- Adjusted net income attributable to common shareholders* of \$432 million, compared with \$249 million for 2017, reflecting a 73% increase over 2017;
- An absolute five-year total stockholder return ("TSR") of 117%, well above the respective TSRs of the S&P 500 (50%), the S&P 400 MidCap (34%) and the Dow Jones Transportation Average (33%);
- Adjusted EBITDA* of \$1.562 billion — a 14.3% increase over 2017 and a record level of full-year adjusted EBITDA for our company, although short of target; and
- Strong free cash flow* of \$694 million, surpassing our target of approximately \$625 million.

These results were achieved, in large part, through our NEOs' disciplined execution of our growth strategy in leading our organization. Since its founding in 2011, XPO has become one of the ten largest transportation and logistics companies in the world. We create value by operating as a highly efficient, integrated network of people, technology and physical assets, and by cross-selling our services to help our customers succeed. We hold less than a 2% share of a trillion-dollar addressable market, and our service range provides us with growth opportunities regardless of macro conditions. In 2018, our sales organization won a record \$3.8 billion of business. At year-end 2018, 90 of our top 100 customers were using two or more XPO service lines, and 55 of the 100 were using five or more of our services. Four years ago, these numbers were close to zero.

The significant progress made by our NEOs in 2018 has placed XPO in a better position to create long-term value today than at any time in our history. One of our most compelling competitive advantages is our proprietary technology. We invested \$498 million in our global technology organization in 2018 and delivered a number of industry firsts. These included XPO Connect, our digital freight marketplace with multimodal transportation architecture, and XPO Direct, a national, shared-space distribution network linked by our proprietary warehouse management system. Both of these innovations capitalize on our density and scale — with XPO Direct, for example, large customers essentially rent our capacity for contract logistics, last mile, less-than-truckload, labor, technology, transportation and storage without taking on large fixed costs.

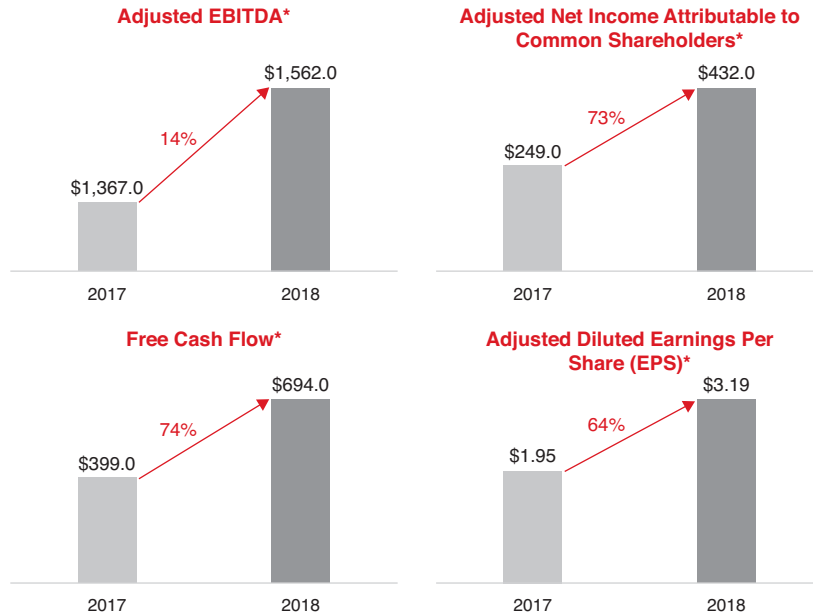
Our NEOs, together with our Board of Directors, are also stewards of our company's culture. As a service business, the safety and satisfaction of our workforce is integral to our strategy. In 2018, we greatly expanded our employee policies for pregnant women and family bonding, and provided supplemental health and wellness services for women and families through a virtual clinic, all at no additional cost to our employees. Our NEOs are committed to a purpose-driven culture; this is reflected in part by the record level of interest we saw from job candidates in 2018: over 80,000 applications received in a typical month.

Furthermore, our NEOs serve as disciplined allocators of our capital on behalf of our stockholders. In December 2018, when our stock price declined we chose to suspend M&A activity for the time being in favor of a stock buy-back strategy, as we felt this strategy would provide the best return on capital.

* See Annex A for a reconciliation of this non-GAAP measure.

2018 Profit Growth

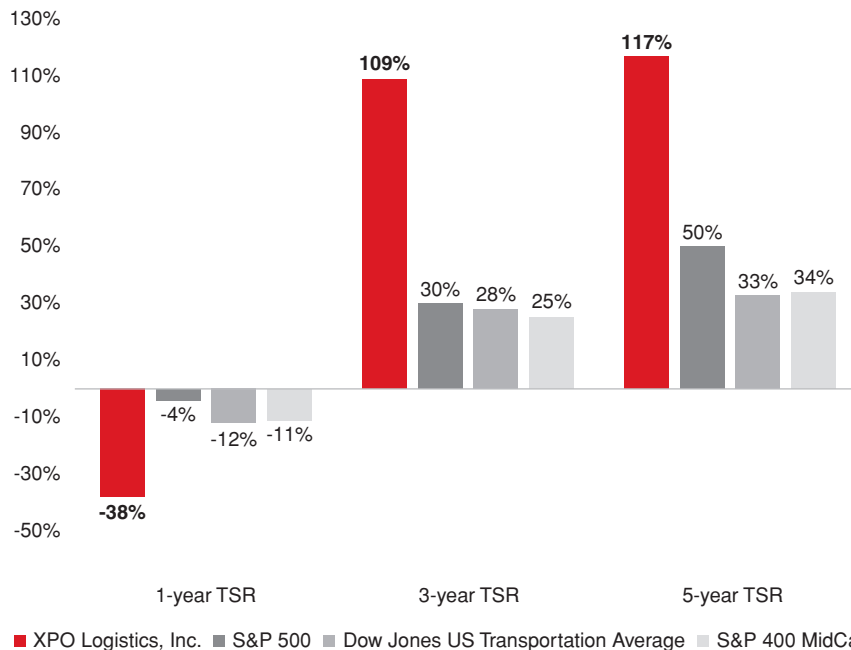
In 2018, the company delivered a year of record financial results, including strong growth in earnings and free cash flow, compared with the prior year. Key financial data are summarized below (in millions, except per share data).



* See Annex A for a reconciliation of this non-GAAP measure.

Total Stockholder Return (TSR)

The primary focus of our company's leadership team is to deliver meaningful value to our stockholders through the execution of our strategy. While our share price was impacted by certain discrete events that resulted in the company missing its outlook in 2018, our stock has significantly outperformed relevant indices in stockholder return over the past three and five years.



Note: TSR calculations reflect the relevant trading price of our common stock and that of the relevant indices as of the last trading day of the calendar years 2018, 2017, 2016, 2015, 2014 and 2013, as supplied by Research Data Group. The graph in our 2018 annual proxy included a comparison of our common stock with the S&P 500. However, the S&P 400 MidCap index, of which we are a component, generally includes companies with more comparable market capitalization to us than does the S&P 500 index. As a result, we believe that the S&P 400 MidCap index is a more appropriate index and have included both the S&P 500 and the S&P 400 MidCap indices in the graph above. The graph above is not the annual performance graph required

by Item 201(e) of Regulation S-K; the required graph can be found in Part II, Item 5 of our Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the SEC on February 14, 2019.

2018 Key Executive Compensation Actions

In recognition of the fact that we did not meet our Adjusted EBITDA goal in 2018, and in their unwavering dedication to leading our company's pay-for-performance culture by example, Mr. Jacobs and Mr. Cooper voluntarily declined their 2018 cash bonuses; in addition, Mr. Jacobs, Mr. Cooper and Mr. Harik voluntarily declined a portion of the long-term incentive payout otherwise due to them in respect of 2018, valued at \$4 million in total. Overall, our NEOs received between 0% and 65% of their respective annual target cash incentives.

Additionally, all of the outstanding equity awards granted to Mr. Jacobs, Mr. Cooper and Mr. Harik are performance-based, demonstrating our company's strong commitment to aligning executive compensation with long-term stockholder value. Continuing with this longstanding practice, the Committee awarded Mr. Jacobs, Mr. Cooper and Mr. Harik performance-based restricted stock units (RSUs), in August 2018, that require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. These awards also extended the lock-up restriction on all previously awarded equity grants for these NEOs, from September 2, 2018 to September 2, 2020.

The stretch goals underlying these RSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, mirroring the same features in previously awarded performance-based equity grants. The Adjusted Cash Flow Per Share measure was viewed by the Committee as a balanced metric that is underpinned by a compounded annual growth rate of 20% in Adjusted EBITDA over the four-year period. With the four-year cliff vesting feature, there is also no risk of "double-dipping" in terms of payment opportunity between this award and the final 2019 tranche that remains unvested from the February 2016 cash-settled RSU grant previously made by the company to Mr. Jacobs, Mr. Cooper and Mr. Harik.

Finally, in recognition for taking on the acting chief financial officer role in August 2018, Ms. Glickman received a performance-based award that is earned based on achievement of sustained performance at XPO, as reflected in its stock price over a five-year period ending in August 2023.

Altogether, these actions – and our general emphasis on variable compensation that is primarily comprised of performance-based long-term incentives – underscore our key objectives of aligning executive compensation with long-term stockholder value creation, and strongly correlating pay and performance.

NEO Transitions

In 2018, our company managed the transitions of certain named executive officers and made appropriate adjustments to the compensation for these NEOs, as detailed on the following pages. Specifically:

Mr. Cooper was promoted from chief operating officer to president in April 2018.

Mr. Wagers was hired from Amazon, Inc. in April 2018 for the role of chief operating officer, to work alongside Mr. Cooper in evaluating accretive targets for acquisition and to lead integration efforts. In December, the company chose to suspend M&A activities in favor of allocating capital to share repurchases. Consequently, Mr. Wagers' employment was terminated in March 2019 and the chief operating officer role was eliminated. In connection with Mr. Wagers' termination, he forfeited the unearned portion of the equity award provided to him upon his hire.

Mr. Hardig stepped down from his position as chief financial officer on August 15, 2018. While Mr. Hardig was not an active NEO as of December 31, 2018, his earned compensation with respect to his tenure as chief financial officer, as well as arrangements related to his departure, are described in this Compensation Discussion and Analysis, in line with applicable SEC disclosure requirements.

Ms. Glickman was hired in June 2018 as senior vice president of corporate finance. She was appointed acting chief financial officer effective August 15, 2018. Ms. Glickman's compensation arrangements differ from our other NEOs in certain instances, as discussed throughout this Compensation Discussion and Analysis, primarily because she does not have a formal employment agreement for her role as acting chief financial officer.

Result of Stockholder Advisory Vote and Stockholder Outreach

We conduct a stockholder advisory vote on executive compensation annually. While this vote is 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 matter each year as a way to express their views on our executive compensation structure and planned actions, all of which are disclosed in our Proxy Statement.

We also believe that strong corporate governance should include year-round engagement with our stockholders and we regularly solicit feedback from our stockholders on our executive compensation program, corporate governance, sustainability reporting initiatives and other topics of interest to our stockholders. We then share this feedback directly with our Board at regularly scheduled meetings.

Prior to our last annual meeting, in 2018, we reached out to 11 of our most significant stockholders, who collectively held 24% of our outstanding common stock at that time, to give them ample opportunity to engage in active dialogue with us on executive compensation and other governance matters. Only one stockholder responded with an interest to engage at that time on topics related to our sustainability reporting initiatives. At the 2018 annual meeting, 92.8% of the votes cast on our advisory vote on executive compensation were in favor of our NEO compensation program. We were pleased by this result, which indicated strong majority support for our executive compensation practices.

Subsequently, as part of our ongoing effort to communicate with our stockholders, we organized stockholder outreach efforts in advance of this year's proxy filing. We asked eight of our most significant stockholders, representing 27% of our outstanding common stock as of the Record Date, to engage in discussions with us; two responded with interest, and we subsequently arranged meetings with these stockholders. During these discussions, we provided an update on executive compensation actions taken during the year and an explanation of the latest equity award construct introduced in 2018. Additionally, we reiterated our commitment to our pay-for-performance philosophy. Representatives of both stockholders who engaged in discussion expressed appreciation for the disclosure presented in our 2018 proxy statement and asked that we continue on this path of clarity and transparency as we provide the executive pay rationale in our 2019 Proxy Statement.

In addition, our senior management team, including our chief executive officer and chief strategy officer, regularly engage in meaningful dialogue with our stockholders through our quarterly earnings calls, participation at investor conferences and other direct channels of communication.

Our Executive Compensation Governance Framework

Compensation Structure

The general framework for NEO compensation at our company includes: (i) fixed base salaries; and (ii) 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 chooses to heavily weigh our NEO compensation towards variable incentive compensation rather than a fixed base salary. The Committee believes that this emphasis on variable annual cash incentives and long-term, equity-based awards gives the Committee significant year-to-year flexibility in motivating our NEOs. Additionally, while the Committee has an annual decision-making process related to executive pay, it also takes the view that forward-looking awards can and should be granted to executives at any point during the year when such incentives can be expected to galvanize increased growth in the overall performance of the company, to the benefit of our stockholders. Currently, all outstanding equity for Mr. Jacobs, Mr. Cooper and Mr. Harik is performance-based and only pays out upon achievement of high-growth targets. Additionally, the Committee does not utilize an overly formulaic approach in determining compensation: for example, it does not grant long-term incentives every year, nor at any specific, fixed time of year.

The total reward determination for each of our NEOs reflects the Committee's assessment of individual responsibilities, contributions to corporate performance, the company's trend on total stockholder return, overall company success in achieving strategic goals, company position against market levels of pay, and the amount of realized and realizable pay in each NEO's compensation profile.

Role of the Committee

The Committee is responsible for approving our compensation practices and overseeing our executive compensation program in a manner consistent with our compensation philosophy. The Committee is tasked with reviewing the annual and long-term performance goals for our NEOs, approving award grants under incentive compensation and equity-based plans, and approving all other compensation and benefits for our NEOs. 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 an independent compensation consultant, Semler Brossy, as discussed further below.

Role of Management

Executive management provides input to the Committee, including with respect to the Committee's evaluation of executive compensation practices. In particular, our chief executive officer, Mr. Jacobs, provides recommendations for 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 its independent advisor, Semler Brossy, before making final determinations. We believe this process ensures that our executive compensation program effectively aligns with our compensation philosophy and stockholder interests.

Role of the Committee's Independent Compensation Consultant

The Committee directly retained Semler Brossy as its independent advisor for compensation and governance matters. During 2018, Semler Brossy supported the Committee in these matters: reviewing 2018 compensation packages and long-term incentive grants for the NEOs and our other senior officers; providing analysis and guidance on the CEO pay level relative to performance; reviewing this Compensation Discussion and Analysis and the related tables and narratives; 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 chairman. Semler Brossy does not provide any other services to the company.

As part of the Committee's 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 the absence of any Semler Brossy relationships with management and members of the Committee, Semler Brossy's internal policies and other information provided to the Committee, 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.

Our Compensation Philosophy

Our executive compensation philosophy is to align the interests of our NEOs with the interests of our stockholders; align executive pay with company performance; ensure that the total compensation paid to our NEOs is reasonable and competitive; and provide appropriate incentives to motivate and retain our executive leadership.

KEY OBJECTIVES OF OUR EXECUTIVE COMPENSATION PROGRAM		
1	Align executive compensation with long-term stockholder value	<ul style="list-style-type: none"> ■ We place significant emphasis on long-term, forward-looking, performance-based compensation that is dependent on appreciation in our stock price, and that requires attainment of financial and strategic goals. ■ Our long-term focus promotes unified emphasis on the execution of our strategy, which we believe will create long-term stockholder value. ■ Long-term incentives can be granted either during the Committee's annual review of compensation determinations or during pivotal periods within the year to galvanize sustainable growth over a multi-year period.
2	Strongly correlate pay with financial and individual performance	<ul style="list-style-type: none"> ■ The Committee considers four key company metrics in determining the total reward for our NEOs (among other supplemental measures). The Committee monitors progress against these metrics through regular engagement with the CEO and open attendance at companywide quarterly operating review meetings: <ol style="list-style-type: none"> 1 Adjusted EBITDA 2 Organic Revenue Growth 3 Free Cash Flow 4 TSR ■ Additionally, the Committee considers individual NEO performance and contributions to financial and non-financial goals in determining annual incentive payouts. ■ The Committee also certifies performance attainment of outstanding performance-based stock grants previously awarded to the NEOs.
3	Attract, retain and motivate high-performing executive talent	<ul style="list-style-type: none"> ■ We operate in a highly competitive market for executive talent; as such, we believe it's essential to attract, retain and motivate executives with market-competitive pay opportunities that tie the majority of pay to at-risk elements. ■ In order to inform its decision-making, the Committee reviews market analysis of total reward levels for our NEO positions at companies with a similar revenue size to ours, across diverse industries, using data from a compensation consultant that specializes in general industry compensation surveys. Semler Brossy provides additional supporting analysis to the Committee using the prior year's annual proxy statement disclosures of our peer group companies. ■ XPO continues to attract top talent at executive levels to lead key positions throughout the company, as we strive to be the best in the industry at delivering high-quality service to our customers, increasing value for our stockholders and demonstrating the highest regard for our employees. Numerous executives from highly regarded companies in the Fortune 500 have been hired into key positions at XPO as business unit leaders and corporate leaders.

HOW WE MEET THESE OBJECTIVES: ENSURING SOUND GOVERNANCE IN EXECUTIVE COMPENSATION

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.

- 1 Significant Emphasis on Variable Compensation:** Our executive compensation program is heavily weighted towards variable compensation, including long-term incentives, such as performance-based awards and annual short-term cash incentives.
- 2 Substantial Portion of Compensation Subject to Creation of Stockholder Value:** Performance-based awards are, and have been, subject to meaningful stock price and/or earnings-related performance goals measured over service-based vesting periods. All of the outstanding equity awards granted to Mr. Jacobs, Mr. Cooper and Mr. Harik are performance-based. The Committee also continually reviews the full portfolio of XPO stock holdings for each NEO to ensure that there is a sufficient amount of compensation "at risk" and aligned with stockholder returns and value creation, while sustaining the NEOs' focus on the company's strategic objectives.

- 3 Stock Ownership Policies:** We have a strong ownership culture among our executives and the Board has adopted stock ownership guidelines and stock retention requirements that support and encourage this culture. We believe that maintaining equity ownership in our company will mitigate a number of risks, including risks related to executive retention and undue risk-taking.

Share-based awards to our NEOs are generally subject to lock-up restrictions (as described in more detail below under the header "Lock-up Restrictions on Equity Awards") and we believe that the combination of the stock ownership policies and lock-up restrictions is a highly effective method of creating meaningful and lasting executive stock ownership levels.

- **For new executives:** the multiple of annual salary creates near-term guidance to build and maintain a meaningful ownership position.
- **For longer-serving executives:** the lock-up restrictions ensure that executives' ownership of our stock continues to build.

Policy Guidelines

Our guidelines are expressed as a multiple of each executive's annual base salary:

	Multiple of Annual Salary
CEO	6
Other NEOs	3

Generally, compliance with our stock ownership guidelines is determined using the aggregate count of shares of common stock held directly or indirectly by the NEO and unvested restricted stock units subject solely to time-based vesting. Stock options, whether vested or unvested, and equity-based awards subject to performance-based vesting conditions are not counted toward meeting the stock ownership guidelines until they have settled or been exercised, as applicable.

Until the stock ownership guidelines are met, an executive is required to retain 70% of the net shares (after tax withholding) received upon settlement of equity-based awards. A newly-appointed executive is required to reach the stock ownership guidelines no later than three years from the date of his or her appointment.

As of the Record Date, Mr. Jacobs, Mr. Cooper and Mr. Harik were in compliance with our stock ownership guidelines and, in particular, Mr. Jacobs exceeded the guidelines by a significant degree.

Ms. Glickman is required to meet the guidelines no later than August 2021, three years from her appointment as acting chief financial officer.

- 4 Lock-up Restrictions on Equity Awards:** Lock-up restrictions generally prohibit the sale of any shares of our common stock delivered pursuant to equity awards granted by our company.
- As of March 31, 2019, Mr. Jacobs, Mr. Cooper, and Mr. Harik hold approximately 465,000 vested shares, subject to lock-up restrictions through September 2, 2020.
 - The agreement in effect with Mr. Wagers, whose employment was terminated on March 11, 2019, includes a lock-up restriction until May 1, 2021 for the portion of his equity award that vested in connection with his termination.
 - Ms. Glickman's performance stock units, granted in August 2018 in recognition of her taking on the acting chief financial officer role, are subject to a lock-up of 90 days following vesting.

5	<p>Clawback Policy: Our NEOs are subject to clawback restrictions with respect to long-term and annual short-term incentive compensation. The Committee is focused on mitigating risk associated with the company’s compensation program for NEOs and believes that clawback provisions are an important tool.</p> <p><i>Long-Term Incentive</i></p> <p>The employment agreements for Mr. Jacobs, Mr. Cooper, Mr. Wagers and Mr. Harik include a clawback provision under which the NEO may be required, upon certain triggering events, to repay all or a portion of long-term 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 the executive officer:</p> <ul style="list-style-type: none"> ■ 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; ■ Is terminated for cause (as defined in the employment agreement); or ■ Breaches the restrictive covenants that are applicable under his employment agreement. <p>While Ms. Glickman did not enter into a formal employment agreement with the company related to her role as acting chief financial officer, all equity awards issued as compensation to Ms. Glickman contain the same clawback provisions applicable to engagement in fraud or other willful misconduct, or breaches of applicable restrictive covenants.</p> <p><i>Annual Short-Term Incentive</i></p> <p>In addition, if Mr. Jacobs, Mr. Cooper, Mr. Wagers or Mr. Harik has engaged in fraud or other willful misconduct that contributes materially to any financial restatements or material loss to the company or any of its affiliates, the company may require repayment by them of any cash bonus or annual bonus previously paid (net of any taxes paid by them on such bonus), or cancel any earned but unpaid cash bonus or annual bonus, or adjust the future compensation, in order to recover an appropriate amount with respect to the restated financial results or the material loss.</p> <p>Furthermore, a portion of the 2016 short-term incentive award for each of Mr. Jacobs and Mr. Cooper continues to be subject to repayment if they leave the company for any reason (other than following a change in control) prior to April 2019.</p> <p>As acting chief financial officer, Ms. Glickman is subject to the clawback provisions of the Sarbanes-Oxley Act. Consequently, her short-term incentive is subject to clawback if there is material non-compliance with applicable financial reporting standards that require the company to restate its financials.</p> <p><i>Additional Provision</i></p> <p>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 Mr. Jacobs, Mr. Cooper or Mr. Harik, they will each be subject to additional clawback provisions pursuant to such rules as described under the heading “Employment Agreements with NEOs–Clawbacks.”</p>
6	<p>Restrictive Covenants: Our NEOs are subject to comprehensive non-competition and other restrictive covenants.</p>
7	<p>No Stock Option Repricing or Discounted Exercise Price: 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.</p>
8	<p>No Golden Parachute Excise Tax Gross-ups: XPO does not provide golden parachute excise tax gross-ups.</p>
9	<p>No Pledging or Hedging 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.</p>
10	<p>No Exceptional Perquisites: Our NEOs have no guaranteed bonuses, no supplemental pension or retirement savings beyond what is provided broadly to all XPO employees and no additional perquisites such as personal use of company aircraft, executive health services, club memberships, relocation assistance, stipends or financial planning services.</p>
11	<p>Independent Compensation Consultant: The Committee retains an independent compensation consultant who performs services only for the Committee, as previously discussed in “Our Executive Compensation Governance Framework”.</p>

The Committee's Compensation Decision-Making Process

The Committee believes that its holistic approach to evaluating individual and company performance promotes greater alignment than overly formulaic programs, which may skew incentives. The process incorporates an element of discretion, allowing the Committee to enforce a balanced, multi-dimensional approach to NEO compensation that includes a review of performance against goals set at the beginning of the year, as described below.

KEY FACTORS CONSIDERED IN DETERMINING EXECUTIVE COMPENSATION

1

The company's financial results relative to publicly disclosed targets for 2018.

- As part of the company's budget and forecast processes for 2018, our senior executives set goals which were reviewed by the Board, on several key measures (namely, the first three in the "Key Measures" chart below). Performance against these measures was considered by the Committee when determining 2018 annual incentives for the NEOs. In addition, TSR performance—both in absolute and relative terms—was a significant factor in the Committee's decision-making process.
- Overall, under the skilled leadership of our NEOs, XPO generated record results in 2018 on multiple financial measures despite underperformance against certain targets:

KEY MEASURES		
Measure	2018 Target	2018 Achievement
1. Adjusted EBITDA*	Approximately \$1.585 billion	✗ \$1.562 billion (+14.3% versus 2017)
2. Organic Revenue Growth*	Expectation: 5% – 8%	✓ Up 9.3% versus 2017
3. Free Cash Flow*	Approximately \$625 million	✓ \$694 million
4. Annual TSR	Expectation: Alignment with relevant indices	✗ XPO: –38% S&P 500 Index: –4% Dow Jones US Transportation Average: –12% S&P 400 Midcap: –11%

* See Annex A for a reconciliation of this non-GAAP measure.

- The Committee also certified goal attainment associated with previously-awarded PRSUs granted in February 2016 to Mr. Jacobs, Mr. Cooper and Mr. Harik. The third tranche of these awards was due to vest and settle in February 2019 based on the achievement of an Adjusted Cash Flow Per Share goal of \$5.38 associated with the 2018 performance year. This goal was surpassed and the award was settled in cash in February 2019; however, the payout amount was reduced at the request of Mr. Jacobs, Mr. Cooper and Mr. Harik, as described further throughout this Compensation Discussion and Analysis.

2

The current value of realized and future realizable payouts of previously awarded stock compensation.

- Stock-based compensation represents a significant portion of the total annual realizable pay for our NEOs and, as a result, the Committee evaluated the current value of XPO stock holdings for each NEO to determine the appropriate balance between short-term cash incentives and long-term equity, and to assess whether there is sufficient compensation that is "at risk" of forfeiture and value fluctuation based on the company's performance. For Mr. Jacobs, Mr. Cooper and Mr. Harik, the Committee focused on the current value of the 2016 PRSUs held by each executive, as the third tranche was due to settle in February 2019 (neither Mr. Wagers nor Ms. Glickman were in their respective roles at XPO in 2016 in order to receive this award).
- Over the course of 2018, the XPO stock portfolio of our NEOs experienced a negative return, in line with the experience of all our stockholders. Despite this direct alignment, the Committee further reduced the compensation opportunity of the NEOs for 2018, particularly in response to the requests by Mr. Jacobs, Mr. Cooper and Mr. Harik to voluntarily decline a significant portion of their pay, as described throughout this Compensation Discussion and Analysis.

3

Analysis of total reward levels for our NEO positions relative to core peer group and general industry.

- The Committee, with input from management and Semler Brossy, reviewed the peer group used in evaluating executive compensation to ensure the selected companies continue to reflect certain characteristics comparable to XPO, and determined that no changes were required at this time. The peers comprising the 2018 peer group represent most of our publicly traded competitors in the transportation and logistics industry, have annual revenue greater than 25% of XPO's and, in the Committee's view, were reasonable given the revenue of XPO in 2018.
- While we monitor the structure of our peers' pay programs, the Committee does not target a specific percentile positioning against the peer group. In addition, 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 2018 consisted of the following companies:

Peer	Ticker	2018 Annual Revenue (\$ in millions)
United Parcel Service, Inc.	UPS	\$71,861
FedEx Corp.	FDX	\$65,450
Union Pacific Corp.	UNP	\$22,832
C.H. Robinson Worldwide, Inc.	CHRW	\$16,631
CSX Corp.	CSX	\$12,250
Norfolk Southern Corp.	NSC	\$11,458
J.B. Hunt Transport Services, Inc.	JBHT	\$8,615
Ryder Systems, Inc.	R	\$8,409
Expeditors International of Washington, Inc.	EXPD	\$8,138
Knight-Swift Transportation	KNX	\$5,344
YRC Worldwide, Inc.	YRCW	\$5,092
XPO Logistics, Inc. (as reported)	XPO	\$17,279
Percent Rank		.71

- Semler Brossy analyzed competitive pay levels of comparable NEOs at our peer companies using the most recent annual proxy statement disclosures. As a supplement to this data, management provided a competitive market analysis retrieved from the Willis Towers Watson general industry executive compensation survey, which offered insights into the lower quartile, median and upper quartile of all compensation components for executive positions spanning 34 companies, ranging from \$15 billion to \$20 billion in revenue. Given the significant number of senior executives hired into our company from diverse industries, management felt that comparing our NEOs to the NEOs of other companies of similar revenue size would provide a more comprehensive and multi-dimensional view of the market landscape.
- The analysis across these two data sets was reviewed by the Committee during its 2018 decision-making process, with two key results: the analysis demonstrated lower quartile alignment with respect to total cash compensation and more competitive levels of pay when the current value of the annualized PRSU grant from 2016 was incorporated.

4

NEOs' individual performance and contributions to the company throughout 2018.

- The Committee, in consultation with our CEO (except with respect to his own performance assessment), assessed the performance of each NEO.
- For 2018, the Committee determined that our company either accomplished or exceeded some of its key financial and strategic objectives for the year, while falling short on others, and applied rigorous consideration of the negative 38% stockholder return for 2018, particularly in relation to relevant indices.
- While each of the NEOs was determined to have contributed meaningfully to the company's record financial achievements and significant year-over-year growth with respect to revenue, net income, EPS, adjusted EBITDA and free cash flow in 2018, the company did not fully meet its internal growth expectations, which was the basis for our external guidance to stockholders, established at the beginning of the year; as a result, NEOs received between 0% and 65% of their respective annual target cash incentives.
- In determining the 2018 total reward for each NEO, the Committee's goal was to make a balanced assessment of the accomplishments and the challenges faced, in addition to considering the size and scope of their role and the NEO's degree of involvement in driving operational and financial outcomes for certain business units and/or the company as a whole.
- In light of the below-target earnings performance in the later part of 2018, both Mr. Jacobs and Mr. Cooper voluntarily declined to receive a bonus, which the Committee strongly considered when they weighed the accomplishments noted in the next two sections below against the company's two main, broader challenges of: (i) missing earnings targets for two consecutive quarters and (ii) experiencing a steeper decline in stockholder return compared to relevant indices.

Executive Compensation Program Changes for 2019

Gating Threshold to Establish Eligibility for Short-Term Incentive Payout

For the 2019 performance year, the Committee set the following performance goal: the company's adjusted EBITDA must equal or exceed 90% of the forecasted adjusted EBITDA for 2019 in order for each NEO, who remained employed on the date of payment, to become eligible for any short-term incentive award. Therefore, achievement of this EBITDA threshold will be a requirement for payment of any annual short-term incentive in 2019.

Maximum Amount of Bonus

Short-term incentive payouts will continue to be evaluated based on a framework of key performance measures that are of preeminent importance to the company and our stockholders – as described above for 2018 – as well as the individual contributions of each NEO in his or her respective role. Starting in 2019, cash bonuses will be subject to a payout range of 0% to 200% of target.

The Committee's Assessment of CEO Performance and Contributions for 2018

	METRIC	ASSESSMENT OF ACHEIVEMENT
1	PROFIT GROWTH	<p>XPO achieved record revenue, net income, EPS, adjusted EBITDA and free cash flow. Key financial highlights for full year 2018, as compared with 2017, include:</p> <ul style="list-style-type: none"> ■ A year-over-year revenue increase of \$1.9 billion, including 9.3% organic revenue growth* ■ Growth in adjusted net income attributable to common shareholders* of 73% to \$432 million ■ Growth in GAAP diluted EPS and adjusted diluted EPS* of 18% and 64%, respectively ■ Adjusted EBITDA* growth of 14.3% to \$1.562 billion ■ Significant free cash flow* generation of \$694 million ■ Three-year and five-year TSRs of 109% and 117%, respectively <p>* See Annex A for a reconciliation of this non-GAAP measure.</p>
2	BUSINESS GROWTH	<p>Mr. Jacobs successfully led the company to strong, continued growth and numerous accolades in 2018, including:</p> <ul style="list-style-type: none"> ■ Fortune magazine ranked XPO #67 of the largest US employers ■ Gartner named XPO a worldwide leader in its Magic Quadrant for third-party logistics providers ■ Glassdoor named XPO one of the top three best places to work in the UK – up 25 spots from 2017 – based on high marks for culture, values and leadership ■ Assologistica (Italy) awarded XPO Company of the Year for innovation
3	LEADERSHIP OF THE COMPANY	<p>Under Mr. Jacobs' leadership, we continued to build a purpose-driven culture across all of our lines of business. For 2018:</p> <ul style="list-style-type: none"> ■ Barron's ranked Mr. Jacobs #10 on its list of World's Best CEOs ■ Fortune named XPO one of the World's Most Admired Companies in 2018 and again in 2019, and #1 in its sector ■ Fortune named XPO to its Fortune Future 50 list of companies best positioned for breakout growth ■ Forbes named XPO one of the top-performing US companies on the Global 2000 <p>Additionally, Mr. Jacobs led disciplined decision-making on capital allocation on behalf of our stockholders, pivoting from M&A to accretive share buy-backs in December 2018 when our stock price declined.</p>

<p>4</p>	<p>EMPLOYEE ENGAGEMENT</p>	<ul style="list-style-type: none"> ■ Mr. Jacobs conducts quarterly employee engagement surveys, which are sent to 50,000 of our employees across our global workforce. In these surveys, Mr. Jacobs solicits feedback on employee satisfaction and encourages the submission of ideas for improvement. Employee satisfaction ratings and the percentage of satisfied employees remained high, with an average rating above 7 out of 10 throughout all of 2018. ■ Mr. Jacobs hosts quarterly live town halls with employees around the world to discuss business priorities and answer questions; these were conducted each quarter in 2018. ■ Mr. Jacobs led the company in creating a more comprehensive benefits package for women and families in 2018, including a significant expansion of the company’s existing pregnancy accommodations policy that is progressive for any industry.
<p>5</p>	<p>BOARD ENGAGEMENT</p>	<ul style="list-style-type: none"> ■ Throughout 2018, Mr. Jacobs continued to engage Board members in internal business reviews, enabling real-time interaction. ■ Our Board members are invited to attend business reviews and hear, firsthand, the status of each major business and function against quarterly and annual business goals. ■ Directors engage in discussions with management on strategy, as well as immediate issues that may affect the business.

Assessment of Other NEOs' Performance and Contributions for 2018

In reviewing the CEO's recommendations and approving the NEOs' annual short-term incentive awards for 2018, the Committee considered the overall performance of the company, the company's performance against its strategic objectives, the importance of each NEO's role in relation to the holistic operation of the company, and the CEO's assessment of each NEO's performance and contributions to the company. Below are highlights of the NEO achievements for 2018:

2018 ACHIEVEMENTS	
<p>TROY A. COOPER <i>President</i></p>	<ul style="list-style-type: none"> ■ Promoted to president effective April 23, 2018. ■ Oversaw the company's operations, resulting in strong returns and record earnings, particularly across the transportation segment, as reflected in these and other full-year financial achievements for the segment in 2018: <ul style="list-style-type: none"> ■ Revenue increase of 10%, to \$11.3 billion ■ Adjusted EBITDA* increase of 13%, to \$1.2 billion ■ Operating income increase of 18%, to \$646 million ■ Engaged extensively with our less-than-truckload (LTL) business, which delivered strong improvement in adjusted operating ratio. ■ Oversaw the launch of XPO Direct, the company's shared-space distribution model for omnichannel retail and manufacturing customers. ■ Worked with our sales leaders to promote cross-selling and business development in our global salesforce, which won a record \$3.8 billion in business during 2018. ■ Helped manage the expansion of our last mile network to 85 hubs in North America. ■ Supported the expansion of our positions as the largest e-commerce fulfillment provider in Europe and the largest last mile provider for heavy goods in North America. ■ Spearheaded the rollout of our company's new values, which promote safety, respect, entrepreneurship, innovation and inclusion across the organization. <p><i>* See Annex A for a reconciliation of this non-GAAP measure.</i></p>
<p>MARIO A. HARIK <i>Chief Information Officer</i></p>	<ul style="list-style-type: none"> ■ Oversaw a technology budget of approximately \$500 million, which was deployed strategically to speed innovation companywide. ■ Led the launch of XPO Connect, our cloud-based, digital freight marketplace with fully automated features and self-learning capabilities for transportation transactions. ■ Oversaw strategy and pilot rollout of collaborative GreyOrange robots in XPO warehouses, making our logistics operations safer and more productive. ■ Facilitated four new LTL technology initiatives, including dynamic route optimization, pricing algorithms and AI-based load-building. ■ Implemented voice-enabled tracking of last mile shipments through Google Search and smart speakers, making XPO the first last mile provider to add these functionalities. ■ Significantly enhanced customer support systems, enabling a more seamless, accurate and efficient billing process and overall customer experience.

2018 ACHIEVEMENTS	
<p>KENNETH R. WAGERS III <i>Former Chief Operating Officer and Interim President, LTL North America</i></p>	<ul style="list-style-type: none"> ■ Realized 18% growth in LTL adjusted operating income* for 2018, and notable LTL revenue growth. ■ Realized a 150 basis point improvement in LTL adjusted operating ratio* to 86.2% in 2018, from 87.7% in 2017. ■ From July through December, led our “LTL 2.0” initiative, resulting in a notable improvement in customer service, on-time delivery and overall customer satisfaction ratings. ■ XPO Logistics awarded National LTL Carrier of the Year by Transplace. <p><i>* See Annex A for a reconciliation of this non-GAAP measure.</i></p>
<p>SARAH J.S. GLICKMAN <i>Acting Chief Financial Officer</i></p>	<ul style="list-style-type: none"> ■ Kept XPO on target to meet cumulative, two-year free cash flow* target of at least \$1 billion, including by outperforming on free cash flow* generation of \$694 million in 2018. ■ Initiated a \$500 million unsecured financing package with lenders. ■ Executed the company’s first share repurchase: a \$1 billion buy-back authorization by the Board in December 2018. ■ Managed the company’s real estate portfolio as its logistics footprint increased 12% year-over-year to 190 million square feet. ■ Oversaw the execution of the company’s first comprehensive restructuring effort. ■ Continued to optimize the company’s financial operations through ongoing upgrades of processes and systems and the expansion of our finance shared services model. <p><i>* See Annex A for a reconciliation of this non-GAAP measure.</i></p>

Executive Compensation Components

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

ELEMENT		OBJECTIVE	MECHANICS
1	Base Salary	Provide a competitive fixed component of compensation for services performed during the year, commensurate with the scope and scale of role.	Established relative to the executive’s experience and responsibilities, and to maintain competitiveness against XPO’s peer group and broader market data as described under “The Committee’s Compensation Decision-Making Process.”
2	Annual Short-Term Incentive	Offer an annual cash compensation opportunity based upon achievement of both financial and strategic objectives at the company, business unit and individual levels.	Established as a percentage of base salary, with outcomes based on individual and company performance; subject to clawback under certain conditions.
3	Long-Term Incentive	Offer long-term incentive awards that reward achievement of pre-determined financial goals and increases in our stock price over time.	Intended to tie executive pay to the long-term interests of stockholders, with outcomes based on stock price movement and, in the case of performance stock units, other financial performance factors.

Executive Compensation Outcomes for 2018

Base Salary

No change was made to our NEO base salaries in 2018. NEO base salaries have remained the same for Mr. Jacobs, Mr. Cooper and Mr. Hardig since they were increased in 2016 in connection with the renewal of our NEO employment agreements.

Annual Short-Term Incentive

Mr. Jacobs, Mr. Cooper, Mr. Wagers and Mr. Hardig: Despite record financial performance, including significant year-over-year growth in revenue, net income, EPS, adjusted EBITDA and free cash flow in 2018, the company did not fully meet growth expectations established at the beginning of the year. While our NEOs were eligible to receive a 2018 bonus at least in line with the overall corporate bonus pool achievement, Mr. Jacobs and Mr. Cooper each voluntarily declined to receive a bonus, reflecting our leadership's staunch commitment to the company's pay-for-performance compensation philosophy. The Committee accepted this decision and set Mr. Jacobs' and Mr. Cooper's cash bonus amounts at zero for 2018. Similarly, in recognition of the below-target performance of the Company in the later part of 2018, the annual bonus decisions for Mr. Wagers and Mr. Hardig were also set at zero for 2018. Mr. Hardig's separation agreement provided for a pro-rated bonus to be determined by the Committee.

Mr. Harik and Ms. Glickman: To acknowledge their contributions during 2018, Mr. Harik's and Ms. Glickman's annual bonus amounts were set at 65% of their target opportunity, reflecting the average bonus achievement for our corporate enterprise-wide functions. The Committee considered that, in their respective non-operational roles, Mr. Harik and Ms. Glickman did not have direct connection to the underperformance against targets in the second half of the year.

ANNUAL CASH COMPENSATION FOR 2018 PERFORMANCE YEAR						
Executive Officer	Annual Base Salary	Target Annual Cash Incentive			Actual Decisions	
		Annual Cash Incentive (% of Salary)	Annual Cash Incentive	Total Annual Cash Compensation	Annual Cash Incentive	Total Annual Cash Compensation
Bradley S. Jacobs	\$ 625,000	100%	\$ 625,000	\$ 1,250,000	–	\$ 625,000
Troy A. Cooper	\$ 537,500	100%	\$ 537,500	\$ 1,075,000	–	\$ 537,500
Mario A. Harik	\$ 425,000	100%	\$ 425,000	\$ 850,000	\$ 276,300	\$ 701,300
Kenneth R. Wagers	\$ 525,000	100%	\$ 525,000	\$ 1,050,000	–	\$ 525,000
John J. Hardig	\$ 515,000	100%	\$ 515,000	\$ 1,030,000	–	\$ 515,000
Sarah J.S. Glickman	\$ 425,000	75%	\$ 318,750	\$ 743,750	\$ 207,200	\$ 632,200

Long-Term Incentive

Annualized 2016 – 2019 PRSUs

The third tranche of the 2016 PRSU award granted to each of Mr. Jacobs, Mr. Cooper, Mr. Harik and Mr. Hardig, due to settle in February 2019, was certified as earned by the Committee, as the associated goal of \$5.38 in adjusted cash flow per share for 2018 was achieved. Neither Mr. Wagers nor Ms. Glickman were employed by XPO in 2016 and as a result did not receive a 2016 PRSU award. Mr. Hardig provided service as chief financial officer until August 15, 2018, which entitled him to a pro-rata payment of 27,134 units of the third tranche of the 2016 PRSUs, in accordance with his separation agreement.

Mr. Jacobs, Mr. Cooper and Mr. Harik each voluntarily elected to decline a portion of their impending cash settlements to:

- Personally demonstrate our strong culture of pay-for-performance;
- Further reinforce their obligation to deliver long-term value for our stockholders; and
- Recognize the lower stockholder return generated by XPO versus industry peers in 2018.

Mr. Jacobs and Mr. Cooper requested to voluntarily decline up to 50% of their impending 2016 PRSU settlements, and Mr. Harik requested to voluntarily decline up to 33% of his 2016 impending PRSU settlement.

The Committee considered these requests in making final compensation decisions and determined that, given the intrinsic loss of stockholder value at the end of 2018, an approximate 24% reduction in the payout of the third tranche of 2016 PRSUs for each of these three NEOs appropriately reflected the challenges faced by the company in 2018.

As a result, the grant value of the annualized 2016 PRSU award for each executive, representing the third tranche which settled February 2019, was reduced as follows:

CASH-SETTLED PERFORMANCE AWARDS GRANTED IN FEBRUARY 2016				
Executive Officer	2016 - 2019 PRSU at Grant Value		Committee Decision on Voluntary Reduction of Third Tranche Due to Settle in February 2019	Adjusted Annual Amount for 2018 at Grant Price
	Total Amount	Annual Amount ⁽¹⁾		
Bradley S. Jacobs	\$20,000,000	\$5,000,000	-24%	\$ 3,794,521
Troy A. Cooper	\$ 4,500,000	\$1,125,000	-24%	\$ 853,770
Mario A. Harik	\$ 3,250,000	\$ 812,500	-24%	\$ 616,594
John J. Hardig	\$ 4,000,000	\$1,000,000	<i>Separation Agreement: pro-rata number of units (27,134) from third tranche</i>	\$ 621,911

⁽¹⁾ Represents the grant value of the target award divided over the four-year performance period.

The fourth and final tranche of the 2016 PRSU award is scheduled to settle in February 2020 upon certification of performance achievement by the Committee.

High Growth Incentive Award: 2019 – 2022 PRSUs

In August 2018, the Committee granted high-growth performance incentive awards to Mr. Jacobs, Mr. Cooper and Mr. Harik, with a performance period beginning January 1, 2019 and ending December 31, 2022, based on the following premises:

- The lock-up restrictions, prohibiting the sale of any shares of XPO common stock delivered pursuant to equity awards granted by the company, were due to lapse on September 2, 2018. As an inducement to extend this lock-up provision to September 2, 2020 and keep these executives fully aligned with shareholder value creation, the Committee determined that a reasonable incentive would be required.
- Upon evaluation of total XPO stock holdings for each executive, the Committee noted that in aggregate, over 72% of the stock across the three executives' portfolios had already vested, and that a reasonable re-balancing of unvested versus vested awards should occur to place a greater amount of compensation at risk of forfeiture, thereby also creating additional retentive value.
- The Committee believed that the award should be underpinned by future-oriented, high-growth performance and market-based goals that promote sustained operational excellence over a reasonable period, creating an incentive to organically grow the business, capitalize on the significant addressable opportunity to gain market share, and deliver optimal value to stockholders.
- While the first year of the performance period overlaps with the final performance year (2019) of the 2016 PRSU award, the 2019 – 2022 PRSU award cannot be considered earned until the Committee certifies achievement of the performance goals in the first quarter of 2023. Therefore, there is no risk of “double-dipping” in terms of payment opportunity from the two awards.
- Furthermore, while the performance metric is consistent between the two awards, the 2016 PRSU award contemplated a lower Adjusted EBITDA projection for the 2019 performance year than the current expectation that underlies the 2019 – 2022 PRSUs.

The 2019 – 2022 PRSUs will settle in shares if both of the following conditions are achieved:

1. Average closing stock price of \$225 per share over a period of 20 consecutive trading days prior to December 31, 2022

- Represents an approximate 41% increase in share price per year over the four-year period, compared with XPO's closing stock price on December 31, 2018.

2. Annualized adjusted cash flow per share target of \$14.00 by December 31, 2022

- Requires a 20% compounded annual growth rate in adjusted EBITDA over the four-year period and more than 120% growth in the adjusted cash flow per share outcome versus 2018.

If earned, the 2019 – 2022 PRSUs will settle in the first quarter of 2023, upon certification of performance achievement by the Committee.

The Committee determined that four-year cliff vesting was appropriate, given the two outstanding tranches, at the time, of the 2016 PRSUs. Additionally, the dual measures are intended to create a balanced incentive that encourages sustainable, long-term operational performance while requiring the market to ascribe that value to the company's stock price. As designed, these awards do not provide an incentive to push the company's stock price higher in the near-term at the expense of results

in the future. Additional information regarding the grant date value the company's of each executive's 2019 – 2022 PRSUs can be found in the Summary Compensation Table.

REVIEW OF GRANT TIMING AND GOALS FOR PERFORMANCE-BASED AWARDS						
2016 – 2019 Phantom Stock Performance Awards	2016	2017	2018	2019	★ = Earned/Paid	
	<i>Annual Adjusted Cash Flow Per Share</i>					
	\$2.93 ★	\$3.96 ★	\$5.38 ★	\$6.39 ★		
2019 – 2022 High Growth Equity Performance Awards				2019	2020	2021
						2022 ★
				Average \$225 Closing Stock Price over 20 Days		
			\$14.00 Adjusted Cash Flow Per Share by 12/31/22			

KEY FEATURES OF THE 2019 - 2022 PRSUs

1	<p>Adjusted Cash Flow Per Share Metric</p> <ul style="list-style-type: none"> The calculation for the adjusted cash flow per share metric is defined as: <ol style="list-style-type: none"> 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 net interest expense divided by Diluted shares outstanding. This metric was selected to align with the company's strategy of driving efficient capital allocation and prudent investments in compelling growth opportunities as we continue to execute our strategy. It's intended to be representative of organic EBITDA growth over an extended period of time. The subtraction of capital expenditures in the calculation eliminates the possibility of artificially or temporarily inflating adjusted EBITDA by increasing capital investments. Given the nature of the calculation, this metric is also responsive to acquisitions and divestitures: an acquisition would increase adjusted EBITDA and either increase interest expense or increase share count, thereby offsetting the benefit of inorganic growth. With a divestiture, adjusted EBITDA and interest expense would decline in tandem, appropriately offsetting each other. In a stock buy-back scenario, share count would decrease but interest expense would likely rise, thereby lowering the adjusted EBITDA calculation and creating a reasonable offset. Additionally, the performance goal requires significant annual growth in adjusted EBITDA (20%) to become probable.
2	<ul style="list-style-type: none"> There is no upside leverage if the target is exceeded in any given year; the maximum achievement is the target itself (100%).
3	<ul style="list-style-type: none"> Payouts are tied directly to stock price performance, in direct alignment with stockholder interests. If our stock price increases from grant date to settlement date, the award will pay out at a higher amount. Conversely, if the stock price declines in that same period, the award will decline in value at the same rate as the stock price.
4	<ul style="list-style-type: none"> High-growth targets demonstrate management's and the Committee's confidence that the company is well-positioned to demonstrate continued progress.
5	<ul style="list-style-type: none"> Awards are subject to clawback both during the vesting period and after payout based on the circumstances specified by the terms of the awards.

Other Long-Term Incentives Awarded in 2018

In connection with recruiting Mr. Wagers, the company granted him a new hire incentive award intended to provide for an annual award value of approximately \$1 million per year for 10 years, based on grant price. The award was granted as restricted stock units and, together with salary and cash bonus, reflected market competitive total compensation when viewed on an annualized basis. As a result of his termination on March 11, 2019, Mr. Wagers is no longer entitled to the remaining balance of his award.

In recognition of Ms. Glickman assuming the role of acting chief financial officer, the company granted her a performance-based restricted stock unit award. This award has a performance goal requiring achievement of a closing stock price of \$200 per share over a period of 20 consecutive trading days prior to August 2023, with a minimum three-year service condition. In accordance with her offer, Ms. Glickman also received a time-based new hire restricted stock unit award, primarily as a buy-out of stock forfeited from her previous company, with a grant date value of approximately \$1.9 million, vesting annually in equal installments over six years. In addition, as part of her offer, a time-based restricted stock unit award for performance year 2018 was granted. This award has a grant date value of \$125,457 and vests 50% on the second anniversary and 50% on the third anniversary of the grant date.

Annualized Total Direct Compensation

The table below shows the Committee's compensation decisions for 2018 for the NEOs who were active as of December 31, 2018. This table differs from the SEC-required disclosure in the "Summary Compensation Table", which does not capture previously awarded long-term incentive compensation that is considered by the Committee in its view of total reward opportunity for the NEOs.

The PRSU figures represented below reflect the annualized grant value of the 2016 PRSUs, 25% of which vests annually over the four-year period from the initial grant date. The high-growth 2019 - 2022 PRSUs are stretch-goal awards that are not comprised of annual features in terms of targets or vesting tranches and are, therefore, not included below. However, the realizable value of these stretch-goal awards will be assessed annually by the Committee when determining future years' total reward opportunities.

ANNUALIZED TOTAL DIRECT COMPENSATION OPPORTUNITY				
Active Executive Officer as of December 31, 2018	Total Annual Cash Compensation	Annualized 2018 Awards at Grant Value (excluding 2019 - 2022 PRSUs) ⁽¹⁾	Reduced 2016 - 2019 PRSU Annualized Target	Total Direct Compensation
Bradley S. Jacobs	\$625,000	\$0	\$3,794,521	\$4,419,521
Troy A. Cooper	\$537,500	\$0	\$853,770	\$1,391,270
Mario A. Harik	\$701,300	\$0	\$616,594	\$1,317,894
Kenneth R. Wagers III	\$525,000	\$1,092,210 ⁽²⁾	\$0	\$1,617,210
Sarah J.S. Glickman	\$632,200	\$358,040 ⁽³⁾	\$0	\$990,240

(1) Refer to the "Grants of Plan-Based Awards" table for details of the number of 2019 - 2022 PRSUs granted.

(2) Represents the grant value of Mr. Wagers' RSU award granted on April 23, 2018 divided over the vesting period (grant date value of \$10,922,100 with a 10-year pro-rata vesting schedule).

(3) Represents the grant value of Ms. Glickman's RSU award granted on June 8, 2018 and April 18, 2019 divided over the vesting period (the June 8, 2018 award has a grant date value of \$1,897,324 with a six-year pro-rata vesting schedule; the April 18, 2019 award has a grant date value of \$125,457 with a vesting schedule of 50% on the second anniversary and 50% on the third anniversary).

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. The Committee does believe that as a complement to its annual decision-making process, forward-looking stockholder-aligned awards can and should be granted to executives at any point within the year when incentives are required to galvanize increased growth in the overall performance of the company to benefit our stockholders.

Benefits

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

Employment Agreements

We believe that it is in the best interests of our company to enter into multi-year employment agreements with our NEOs because the agreements promote long-term retention while allowing the Committee to exercise discretion in designing incentive compensation programs. The material compensation-related terms of these agreements are described under the heading "Employment Agreements with NEOs" and the tables that follow this Compensation Discussion and Analysis.

Effective February 9, 2016, the company entered into new employment agreements with Mr. Jacobs, Mr. Cooper and Mr. Harik. 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 that are described under the heading "Employment Agreements with NEOs–Restrictive Covenants." The company also entered into an employment agreement on similar terms with Mr. Wagers in connection with his hire.

Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") disallows a federal income tax deduction to public companies for compensation greater than \$1 million paid in any tax year to covered executive officers. Under prior law, there was an exception to the \$1 million deduction limitation for compensation that meets the requirements of "qualified performance-based compensation." However, for tax years after 2017, this exception has been eliminated, subject to limited transition relief that applies to certain arrangements in place as of November 2, 2017, and the group of executives covered by Section 162(m) has been expanded. Accordingly, no assurance can be given that awards paid in 2018 and later years that were originally intended to qualify for the "qualified performance-based compensation" exemption, or that were otherwise expected to be deductible prior to the recent tax legislation, will in fact be deductible.

As a general matter, while the Committee considers tax deductibility as one of several relevant factors in determining compensation, we believe that the tax deduction limitation imposed by Section 162(m) should not compromise the company's ability to design and maintain executive compensation arrangements that will attract and retain executive talent. Accordingly, the Committee and our Board will take into consideration a multitude of factors in making executive compensation decisions and may approve and authorize executive compensation that is not tax deductible.

Risk Assessment

The Committee, in consultation with 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.

Compensation Committee Report

The following statement made by our 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, 2018.

Compensation Committee:

Adrian P. Kingshott (committee chairman)

Marlene M. Colucci (member since March 13, 2019)

Michael G. Jesselson

Jason D. Papastavrou

Compensation Tables

Summary Compensation Table

The following table sets forth information concerning the total compensation awarded to, earned by, or paid to our NEOs for the year ended December 31, 2018.

Name and Principal Position	Year	Salary (\$)	Bonus ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Option Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation ⁽³⁾ (\$)	Total (\$)
Bradley S. Jacobs ⁽⁴⁾ Chairman and Chief Executive Officer	2018	\$625,000	–	\$12,690,463 ⁽⁵⁾	–	–	\$12,008	\$13,327,471
	2017	\$625,000	–	–	–	\$750,000	\$9,021	\$1,384,021
	2016	\$607,000	\$1,375,000	\$19,999,992	–	–	\$2,456	\$21,984,448
Troy A. Cooper President	2018	\$537,500	–	\$2,460,008 ⁽⁵⁾	–	–	\$12,008	\$3,009,516
	2017	\$537,500	–	–	–	\$645,000	\$9,021	\$1,191,521
	2016	\$511,539	\$1,075,000	\$4,499,998	–	–	\$2,337	\$6,088,874
Mario A. Harik Chief Information Officer	2018	\$425,000	\$276,300	\$1,230,004 ⁽⁵⁾	–	–	\$11,857	\$1,943,161
	2017	\$425,000	–	–	–	\$490,000	\$9,021	\$924,021
Kenneth R. Wagers III Former Chief Operating Officer and Interim President, LTL–North America	2018	\$363,462	–	\$10,922,100 ⁽⁶⁾	–	–	\$756	\$11,286,318
Sarah J.S. Glickman Acting Chief Financial Officer	2018	\$246,827	\$207,200	\$3,528,923	–	–	\$73,446	\$4,056,396
John J. Hardig Former Chief Financial Officer	2018	\$324,846	–	–	–	–	\$34,842	\$359,688
	2017	\$515,000	–	–	–	\$595,000	\$9,021	\$1,119,021
	2016	\$498,385	\$915,000	\$3,999,998	–	–	\$2,512	\$5,415,895

⁽¹⁾ The amounts reflected in this column for 2018 represent an annual cash bonus award earned in respect of 2018, which is described in more detail under the heading “Executive Compensation Outcomes for 2018–Annual Short-Term Incentive.”

⁽²⁾ 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 FASB ASC Topic 718. For a further discussion of the assumptions used in the calculation of the grant date fair values for each year, see Note 14 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. 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 re-measured to fair value at each reporting date until settlement.

⁽³⁾ The components of “All Other Compensation” for 2018 are detailed below in the “All Other Compensation” table.

⁽⁴⁾ Mr. Jacobs did not receive any additional compensation for his service as a director.

⁽⁵⁾ In August 2018, the Committee awarded Mr. Jacobs, Mr. Cooper and Mr. Harik PRSUs that require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, mirroring the same features in previously awarded performance-based equity grants.

⁽⁶⁾ Effective March 11, 2019, the company terminated Mr. Wagers’ employment, without cause. As a result of his termination without cause, Mr. Wagers received the prorated vesting of 9,292 RSUs.

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 NEOs.”

All Other Compensation Table

The following table sets forth the amounts included in the “All Other Compensation” column in the “Summary Compensation” table for our NEOs in 2018.

Name	Matching Contributions to 401(k) Plan ⁽¹⁾ (\$)	Company-Paid Life Insurance Premiums ⁽²⁾ (\$)	Perquisites and Other Personal Benefits (\$)	Relocation ⁽³⁾ (\$)	Relocation Gross-up ⁽⁴⁾ (\$)	Payout of Paid Time Off ⁽⁵⁾ (\$)	Total (\$)
Bradley S. Jacobs	\$11,000	\$1,008	–	–	–	–	\$12,008
Troy A. Cooper	\$11,000	\$1,008	–	–	–	–	\$12,008
Mario A. Harik	\$11,000	\$857	–	–	–	–	\$11,857
Kenneth R. Wagers III	–	\$756	–	–	–	–	\$756
Sarah J.S. Glickman	–	\$859	–	\$52,288	\$20,299	–	\$73,446
John J. Hardig	\$11,000	\$672	–	–	–	\$23,170	\$34,842

⁽¹⁾ Amounts in this column represent matching contributions made by XPO 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. The 2018 401(k) matching amounts are larger than in previous years due to an increase in the 401(k) company match percentage that aligns with a Safe Harbor Matching formula for all eligible participants in the XPO Logistics, Inc. 401(k) Plan, as well as an increase in the annual compensation limit as defined by §§ 401(a)(17).

⁽²⁾ Amounts in this column include the company-paid premiums for basic life insurance.

⁽³⁾ Amounts in this column reflect relocation benefits provided by the company to Ms. Glickman in connection with her commencement of employment in 2018.

⁽⁴⁾ Amounts in this column reflect the tax gross-up provided to Ms. Glickman in respect of the relocation benefits provided by the company.

⁽⁵⁾ Amounts in this column reflect a payout of paid time off provided to Mr. Hardig in connection with his termination with the company.

Grants of Plan-Based Awards

The following table sets forth additional details regarding grants of equity and non-equity plan-based awards.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			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 (\$/Share)	Grant Date Fair Value of Stock and Option Awards ⁽¹⁾
		Threshold (#)	Target (#)	Maximum (#)				
Bradley S. Jacobs	8/16/2018	–	238,095	–	–	–	–	\$12,690,463 ⁽²⁾
Troy A. Cooper	8/16/2018	–	46,154	–	–	–	–	\$2,460,008 ⁽²⁾
Mario A. Harik	8/16/2018	–	23,077	–	–	–	–	\$1,230,004 ⁽²⁾
Kenneth R. Wagers III	4/23/2018	–	–	–	105,000	–	–	\$10,922,100 ⁽³⁾
Sarah J.S. Glickman	6/8/2018 8/9/2018	–	23,760	–	17,050	–	–	\$3,528,923
John J. Hardig	n/a	–	–	–	–	–	–	–

⁽¹⁾ Amounts in this column reflect the grant date fair value of awards calculated in accordance with FASB ASC Topic 718, using the valuation methodology and assumptions set forth in Note 14 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

⁽²⁾ In August 2018, the Committee awarded Mr. Jacobs, Mr. Cooper and Mr. Harik PRSUs that require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, mirroring the same features in previously awarded performance-based equity grants.

⁽³⁾ Effective March 11, 2019, the company terminated Mr. Wagers’ employment, without cause. As a result of his termination without cause, Mr. Wagers received the prorated vesting of 9,292 RSUs.

Additional information relevant to the awards shown in the above table (including a discussion of the applicable performance criteria and the actual payouts under such awards) is included under the heading “Executive Compensation Outcomes for 2018—Long-Term Incentive”.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the outstanding equity awards held by our NEOs as of December 31, 2018.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾	Equity Incentive Plan Awards: Number of 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	250,000	–	–	\$9.28	11/21/2021	218,150 ⁽²⁾	\$12,443,276 ⁽²⁾	456,245 ⁽³⁾	\$26,024,214 ⁽³⁾
Troy A. Cooper	25,000	–	–	\$11.46	01/16/2022	49,084 ⁽⁴⁾	\$2,799,751 ⁽⁴⁾	95,238 ⁽⁵⁾	\$5,432,375 ⁽⁵⁾
Mario A. Harik	135,000	–	–	\$9.79	11/14/2021	35,449 ⁽⁶⁾	\$2,022,010 ⁽⁶⁾	58,527 ⁽⁷⁾	\$3,338,380 ⁽⁷⁾
Kenneth R. Wagers III	–	–	–	–	–	105,000 ⁽⁸⁾	\$5,989,200 ⁽⁸⁾	–	–
Sarah J.S. Glickman	–	–	–	–	–	17,050 ⁽⁹⁾	\$972,532 ⁽⁹⁾	23,760 ⁽¹⁰⁾	\$1,355,270 ⁽¹⁰⁾
John J. Hardig	–	–	–	–	–	27,134 ⁽¹¹⁾	\$1,547,723 ⁽¹¹⁾	–	–

Note: 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) The values reflected in this column were calculated using \$57.04, the closing price of a company share on the NYSE on December 31, 2018, the last trading day of our fiscal year 2018.
- (2) Consists of 218,150 cash-settled PRSUs which vested on February 9, 2019, upon Committee certification of the achievement of the applicable performance criteria. The number of PRSUs was reduced to 165,555 pursuant to an amendment letter agreement entered into between the company and the executive on December 31, 2018.
- (3) Consists of 218,150 cash-settled PRSUs which vest on February 9, 2020, and 238,095 PRSUs which vest on December 31, 2022, subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level. The PRSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, mirroring the same features in previously awarded performance-based equity grants.
- (4) Consists of 49,084 cash-settled PRSUs which vested on February 9, 2019, upon Committee certification of the achievement of the applicable performance criteria. The number of PRSUs was reduced to 37,250 pursuant to an amendment letter agreement entered into between the company and the executive on December 31, 2018.
- (5) Consists of 49,084 cash-settled PRSUs which vest February 9, 2020, and 46,154 PRSUs which vest on December 31, 2022, subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level. The PRSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, mirroring the same features in previously awarded performance-based equity grants.
- (6) Consists of 35,449 cash-settled PRSUs which vested on February 9, 2019, upon Committee certification of the achievement of the applicable performance criteria. The number of PRSUs was reduced to 26,902 pursuant to an amendment letter agreement entered into between the company and the executive on December 31, 2018.
- (7) Consists of 35,450 cash-settled PRSUs which vest on February 9, 2020, and 23,077 PRSUs which vest on December 31, 2022, subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level. The PRSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, mirroring the same features in previously awarded performance-based equity grants.

- (8) Consists of 105,000 RSUs which vest in 10 annual installments beginning on April 23, 2019 through April 23, 2028. Effective March 11, 2019, the company terminated Mr. Wagers' employment, without cause. As a result of his termination without cause, Mr. Wagers received the prorated vesting of 9,292 RSUs.
- (9) Consists of 17,050 RSUs which vest in six annual installments beginning on June 8, 2019 through June 8, 2024.
- (10) Consists of 23,760 PRSUs which will vest on August 9, 2021, 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 27,134 cash-settled PRSUs which vested on February 9, 2019, upon Committee certification of the achievement of the applicable performance criteria and the terms of Mr. Hardig's separation agreement.

Option Exercises and Stock Vested

The following table sets forth the options exercised and RSUs vested for our NEOs during 2018.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽²⁾
Bradley S. Jacobs	–	–	471,179	\$43,079,896
Troy A. Cooper	–	–	136,208	\$12,456,347
Mario A. Harik	–	–	70,420	\$6,438,501
Kenneth R. Wagers III	–	–	–	–
Sarah J.S. Glickman	–	–	–	–
John J. Hardig	50,000	\$3,347,000	105,560	\$9,651,351

(1) The values reflected in this column were calculated using the difference between the closing price of the date of exercise and the exercise price.

(2) The values reflected in this column were calculated by multiplying the number of shares that vested in 2018 by the closing price of one share of XPO common stock on the NYSE on each applicable vesting or settlement date. In the case of the cash-settled PRSUs which settled on February 19, 2018, the closing price of one share of XPO common stock on the NYSE was \$91.43.

Potential Payments Upon Termination or Change of Control

The following table sets forth the amounts of compensation that would be due to each of our NEOs pursuant to their respective employment agreements, as applicable, upon the termination events as summarized below, as if each such event had occurred on December 31, 2018. 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.

	Bradley S. Jacobs	Troy A. Cooper	Mario A. Harik	Kenneth R. Wagers III ⁽¹⁾	Sarah J.S. Glickman	John J. Hardig ⁽²⁾
Termination without Cause:						
Cash severance ⁽³⁾⁽⁴⁾⁽⁵⁾	\$312,500	\$268,750	\$212,500	\$262,500	–	–
Acceleration of equity-based awards ⁽⁶⁾	\$11,113,731	\$2,500,577	\$1,805,943	\$415,137	\$271,225	–
Continuation of medical / dental benefits ⁽⁷⁾	\$9,989	\$7,147	\$9,827	\$9,989	–	–
Total	\$11,436,220	\$2,776,474	\$2,028,270	\$687,626	\$271,225	–
Voluntary Termination with Good Reason:						
Cash severance ⁽³⁾⁽⁵⁾	–	–	–	–	–	–
Acceleration of equity-based award	–	–	–	–	–	–
Continuation of medical / dental benefits	–	–	–	–	–	–
Total	–	–	–	–	–	–
Termination for Cause or Voluntary Termination without Good Reason:						
Cash severance ⁽³⁾⁽⁵⁾	–	–	–	–	–	–
Acceleration of equity-based awards ⁽⁶⁾	–	–	–	–	–	\$1,547,723
Continuation of medical / dental benefits	–	–	–	–	–	–
Total	–	–	–	–	–	\$1,547,723
Disability:						
Cash severance ⁽³⁾⁽⁵⁾	–	–	–	–	–	–
Acceleration of equity-based award	–	–	–	–	–	–
Continuation of medical / dental benefits	–	–	–	–	–	–
Total	–	–	–	–	–	–
Death:						
Cash severance ⁽³⁾	–	–	–	–	–	–
Acceleration of equity-based awards ⁽⁶⁾	\$38,467,491	\$8,232,127	\$5,360,391	\$5,989,200	\$2,327,802	–
Continuation of medical / dental benefits	–	–	–	–	–	–
Total	\$38,467,491	\$8,232,127	\$5,360,391	\$5,989,200	\$2,327,802	–
Change of Control and No Termination:						
Cash severance ⁽³⁾	–	–	–	–	–	–
Acceleration of equity-based awards ⁽⁶⁾	\$38,467,491	\$8,232,127	\$5,360,391	\$5,989,200	\$2,327,802	–
Continuation of medical / dental benefits	–	–	–	–	–	–
Total	\$38,467,491	\$8,232,127	\$5,360,391	\$5,989,200	\$2,327,802	–
Change of Control and Termination without Cause or for Good Reason:						
Cash severance ⁽³⁾	\$3,125,000	\$2,687,500	\$2,125,000	\$2,625,000	–	–
Acceleration of equity-based awards ⁽⁶⁾	\$38,467,491	\$8,232,127	\$5,360,391	\$5,989,200	\$2,327,802	–
Continuation of medical / dental benefits ⁽⁷⁾	\$39,954	\$28,587	\$39,307	\$39,954	–	–
Total	\$41,632,445	\$10,948,214	\$7,524,698	\$8,654,154	\$2,327,802	–

⁽¹⁾ Effective March 11, 2019, the company terminated Mr. Wagers' employment, without cause. As a result of his termination without cause, Mr. Wagers received: (i) a cash severance payment of \$262,500, and (ii) medical and dental coverage for a period of up to six months. Mr. Wagers also received payment of a sign-on bonus of \$285,000. Finally, Mr. Wagers received the prorated vesting of 9,292 RSUs. The amounts reflected in this column represent what Mr. Wagers would have received had he remained employed with the Company through the relevant termination events described in the table above.

⁽²⁾ Mr. Hardig terminated his employment on August 15, 2018. The values reflected in this column are actual payments made in connection with his separation agreement.

⁽³⁾ Amounts shown do not include any payments for accrued and unpaid salary, bonuses or vacation.

⁽⁴⁾ In the event of a termination by our company without Cause, cash severance payable to each of Mr. Jacobs, Mr. Cooper, Mr. Harik and Mr. Wagers will be reduced, dollar for dollar, by other income earned by such NEO in accordance with the terms of his employment agreement. The calculations of severance pay in the above table use the NEO's base salary effective as of December 31, 2018. Ms. Glickman has not entered into an employment agreement with XPO.

- (5) In the event of a termination for any reason, our company has the right to extend the period during which each of Mr. Jacobs, Mr. Cooper, Mr. Harik and Mr. Wagers is bound by the non-competition covenant in his employment agreement for up to 12 additional months, which would extend the non-compete period from two years to three years following termination. 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 employment is terminated, reduced dollar for dollar by any other income earned at the time by the NEO. Fully extending the non-compete provision would increase the amounts shown as “Cash Severance” by up to \$625,000 for Mr. Jacobs, \$537,500 for Mr. Cooper, \$425,000 for Mr. Harik and \$525,000 for Mr. Wagers. This extended non-compete provision does not apply after a Change of Control. Under the terms of Ms. Glickman’s confidential information protection agreement with XPO, if Ms. Glickman’s employment is terminated without cause and the 12-month post-termination non-competition covenant under such agreement is not waived by XPO, then Ms. Glickman will be entitled to aggregate cash payments equal to \$246,827 during the non-competition period.
- (6) The values reflected in this column were calculated using \$57.04, the closing price of one XPO share on the NYSE on December 31, 2018, the last trading day of our fiscal year 2018. 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, payment of such award would remain subject to the actual achievement of the applicable performance goals. As of December 31, 2018, none of the NEOs had any unvested stock options.
- (7) 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. In the event of a termination without Cause, continued medical and dental benefits would cease when the NEO commences employment with a new employer.

Each NEO’s employment agreement, as applicable, which is described in detail in this Proxy Statement under the heading “Employment Agreements with NEOs,” 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 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 NEOs.”

CEO Pay Ratio Disclosure

As required by Item 402(u) of the SEC’s Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our CEO to that of our median employee. The pay ratio and annual total compensation amount disclosed in this section are reasonable estimates that have been calculated using methodologies and assumptions permitted by SEC rules.

Identifying the Median Employee

Our median employee was identified in 2017, and as permitted by item 402(u) of the SEC’s Regulation S-K, we determined that the same employee should be used to calculate our CEO pay ratio for 2018 because we reasonably concluded that there have been no significant changes to our employee population or compensation programs that we believe would significantly impact our pay ratio disclosure for 2018. Since our actual 2017 median employee is no longer employed by the company, for 2018, we used another employee whose compensation is substantially similar to the 2017 median employee’s compensation, based on the measure used to select the 2017 median employee (as described below).

The median employee was identified by calculating the 2017 cash compensation for all employees excluding the CEO, and excluding employees located in Japan (3), Thailand (320), Taiwan (79), Singapore (277), India (143), Peru (26), Chile (12), Australia (6), Malaysia (32), and Mexico (1,084), who were employed by us on December 31, 2017 (regardless of whether they were employed by us for all of 2017). This employee group included 88,891 employees globally (out of a total of 90,873 employees globally), and included full-time, part-time and seasonal employees. For this purpose, cash compensation included all earnings paid to each employee during the calendar year, including base salary and wages, bonuses, commissions, overtime and holiday or PTO pay. Compensation was converted into U.S. dollars using currency conversion rates as of December 31, 2017.

Annual Compensation of Median Employee Using Summary Compensation Table Methodology

After identifying the median employee as described above, we calculated annual total compensation for this employee using the same methodology we use for our CEO in the 2018 Summary Compensation Table. This compensation calculation includes, where applicable, base salary and wages, bonuses, commissions, overtime, holiday or PTO pay, equity awards, 401(k) company match and company-paid life insurance premiums as applicable. The compensation for our median employee was \$36,940 and the compensation for our company’s CEO was \$13,327,471.

2018 Pay Ratio

Based on the above information, the ratio of the annual total compensation of our CEO to the median employee is 361:1. The pay ratio reported by other companies may not be comparable to the pay ratio reported above, due to variances in business mix, proportion of seasonal and part-time employees and distribution of employees across geographies. In comparison to peer firms, XPO has a unique business mix with approximately 50% of our employee population working in our supply chain business; in addition, XPO operates globally with approximately 50% of our population located outside of the United States. We seek to attract, incentivize and retain our employees through a combination of competitive base pay, bonus opportunities, 401(k) contributions, the opportunity to participate in our employee stock purchase plan and other benefits.

Employment Agreements with NEOs

Employment Agreements with Mr. Jacobs, Mr. Cooper, and Mr. Harik

Effective as of February 9, 2016, we entered into employment agreements with Mr. Jacobs, Mr. Cooper and Mr. Harik (the "2016 Employment Agreements"). The primary purposes of the 2016 Employment Agreements are to: (i) incentivize Mr. Jacobs, Mr. Cooper and Mr. Harik to be aligned with our corporate goals and stockholders' interests, (ii) provide financial incentives for Mr. Jacobs, Mr. Cooper and Mr. Harik to increase stockholder value and focus on the integration of recent acquisitions, and (iii) strengthen the connection between pay and performance in our executive compensation program.

Term

Each 2016 Employment Agreement provides for the applicable 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 the applicable NEO upon exercise or vesting of any equity compensation award (whether before, on or after the date of the 2016 Employment Agreement) was subject to a lock-up until September 2, 2018, which lock up was extended until September 2, 2020 (or, if earlier, the applicable NEO's death or a Change of Control) pursuant to a PRSU award granted to the applicable NEO on August 16, 2018.

Benefits and Business Expense Reimbursement

Under the 2016 Employment Agreements, each applicable NEO is eligible to participate in those 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 duties during the term of the 2016 Employment Agreement.

Termination Events

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

In the event that the applicable NEO dies during the term of the 2016 Employment Agreement, or if we terminate the applicable 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 months' base salary, at the level in effect on the date of termination, which will be paid in equal installments over the six 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, plus any annual bonus that the company has notified the employee in writing that the employee has earned prior to the date of termination, but is unpaid as of the date of termination; and
- Solely in the case of a termination by the company without Cause: medical and dental coverage for a period of six months from the date of termination, or, if earlier, until the applicable 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 forth in the applicable award agreements. The 2016 Employment Agreements modified the terms of PRSUs granted to Mr. Jacobs, Mr. Cooper and Mr. Harik 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.

Definitions of Cause and Good Reason

“Cause,” for the purpose of the 2016 Employment Agreements, generally means the applicable NEO’s:

- Gross negligence or willful failure to perform his 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 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 applicable NEO has a cure period of 15 days before he can be terminated for Cause.

The 2016 Employment Agreements allow the applicable 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 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 Mr. Cooper and Mr. Harik, our requirement that he reports to someone other than the chief executive officer.

In each case, the applicable 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, the applicable NEO’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 applicable 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. No NEO is 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, the applicable NEO 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 the applicable 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 applicable 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, the applicable NEO is generally subject to the following restrictive covenants: employee and customer non-solicitation during employment and for a period of three years thereafter; confidentiality and non-disparagement during employment and thereafter; and non-competition during employment and for a period of two years following 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 applicable NEO's base salary as in effect on the date of termination during the extended non-competition period.

Employment Agreement with Mr. Wagers

Effective April 23, 2018, we entered into an employment agreement with Mr. Wagers (the "Wagers Agreement"), pursuant to which Mr. Wagers commenced a four-year term as the chief operating officer of the company. Pursuant to the Wagers Agreement, Mr. Wagers received a one-time sign-on cash bonus of \$285,000 and an inaugural award of 105,000 RSUs, which vest in 10 equal installments on each of the first 10 anniversaries of April 23, 2018, generally subject to his continued employment with the company on the applicable vesting date. Upon termination of Mr. Wagers' employment by the Company without Cause (as defined in the 2016 Employment Agreement summary above), the portion of the inaugural RSU award that would vest on the next vesting date immediately following his termination of employment will vest on a prorated basis. Mr. Wagers is also entitled to receive benefits pursuant to the company's relocation benefit policies for senior executives, in connection with the relocation of his permanent residence no later than September 1, 2019 to Greenwich Connecticut, Charlotte, North Carolina or another location reasonably determined by the company.

The Wagers Agreement generally contains the same provisions that are described above with respect to the 2016 Employment Agreements in the sections titled: "Lock-up Restrictions" (which apply until the earliest of May 1, 2021, Mr. Wagers' death or a Change of Control), "Benefits and Business Expense Reimbursement," "Termination Events," "Definitions of Cause and Good Reason" (except that the Good Reason definition in the Wagers Agreement is not triggered if he is required to report to someone other than the chief executive officer), "Change of Control," "Clawbacks" and "Restrictive Covenants."

Effective March 11, 2019, the company terminated Mr. Wagers' employment, without cause. Under the terms of the Wagers Agreement, as a result of his termination without cause, Mr. Wagers received: (i) a cash severance payment of \$262,500, and (ii) medical and dental coverage for a period of up to six months. Mr. Wagers also received the sign-on bonus of \$285,000 specified in the Wagers Agreement. Finally, Mr. Wagers received the prorated vesting of 9,292 RSUs.

Employment Arrangement with Ms. Glickman

Effective April 27, 2018, we entered into an offer letter agreement with Ms. Glickman (the "Glickman Letter"), pursuant to which Ms. Glickman commenced employment as the company's senior vice president, corporate finance. Pursuant to the Glickman Letter, Ms. Glickman received a sign-on award of 17,050 RSUs, which vest in six equal installments on each of the first six anniversaries of June 8, 2018, generally subject to her continued employment with the company on the applicable vesting date. Ms. Glickman also received 1,900 RSUs as a pro-rated 2018 long-term incentive award, which vest in equal installments on the second and third anniversaries of the grant date. Ms. Glickman is also eligible for paid time off, relocation benefits and health and welfare benefits which are consistent with standard company policies and programs for similarly situated employees.

In connection with Ms. Glickman's appointment as acting chief financial officer effective August 15, 2018, the Company granted her a PRSU award with a grant date value of \$2,500,000 on August 9, 2018. The PRSU award will vest upon the later to occur of (i) the company's achievement, prior to August 9, 2023, of an average closing stock price of \$200 per share over a period of 20 consecutive trading days and (ii) August 9, 2021, generally subject to Ms. Glickman's continued employment with the company through the date of such later occurrence.

Under the terms of Ms. Glickman's confidential information protection agreement with XPO, Ms. Glickman is subject to certain restrictive covenants, including a non-competition covenant that generally applies during employment and for a period of 12 months thereafter. If Ms. Glickman's employment is terminated without cause and the non-competition covenant is not waived by XPO, then Ms. Glickman will be entitled to cash payments during the post-termination non-competition period equal to, in the aggregate, the average monthly salary and incentive compensation earned by Ms. Glickman during the 12 calendar months preceding her termination date (or such shorter period during which Ms. Glickman was employed by XPO) multiplied by the number of full months, not to exceed 12, that Ms. Glickman was employed by XPO.

Separation Agreement with Mr. Hardig

On August 1, 2018, the Company entered into a letter agreement with Mr. Hardig setting forth the terms of his separation from the company (the "Separation Agreement"). Pursuant to the Separation Agreement, Mr. Hardig remained eligible to (i) receive a prorated 2018 annual bonus based on actual performance and (ii) vest in 27,134 of the PRSUs that were granted to him on February 9, 2016 which were scheduled to vest on February 9, 2019, subject to the achievement of the applicable performance goal, which amount represents the pro rata portion of the 2018 installment of Mr. Hardig's award calculated based on his service as chief financial officer from January 1, 2018 through August 15, 2018. In exchange for his continuing eligibility to receive his 2018 bonus and to vest in a portion of the 2018 tranche of his 2016 PRSU award, Mr. Hardig agreed to extend the lock-up restrictions applicable to all shares of our common stock issued to Mr. Hardig pursuant to equity compensation awards from September 2, 2018 to November 15, 2018. In addition, Mr. Hardig agreed to provide advisory services to the Company on an as-needed basis through September 15, 2018.

Equity Compensation Plan Information

The following table gives information as of December 31, 2018, 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	2,824,872 ⁽²⁾	\$12.70	3,637,110 ⁽³⁾
Equity compensation plans not approved by security holders	—	—	—
Total	2,824,872	\$12.70	3,637,110

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

⁽²⁾ Includes 664,755 stock options outstanding under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan, 17,062 stock options outstanding under the Segmentz, Inc. 2001 Stock Option Plan, and 20,501 stock options outstanding under the Con-way Inc. 2006 Equity and Incentive Plan. Also includes an aggregate of 1,547,708 RSUs and PRSUs granted under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, 568,074 RSUs and PRSUs granted under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan and 6,772 RSUs and PRSUs granted under the Con-way Inc. 2012 Equity and Incentive Plan.

⁽³⁾ Includes 1,661,605 securities available for issuance under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan and 1,975,505 securities available for issuance under the XPO Logistics, Inc. Employee Stock Purchase Plan.

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 10% 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-10% 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 2018, our executive officers, directors and greater than 10% 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 (chairman), Ms. Ashe, Mr. Jesselson and Dr. Papastavrou.

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 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. 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. 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 the matters required to be discussed pursuant to Public Company Accounting Oversight Board Auditing Standard No. 1301, 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 of XPO’s audited consolidated financial statements with management and KPMG, 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, 2018, for filing with the SEC.

Audit Committee:

Oren G. Shaffer (committee chairman)

Gena L. Ashe (member since March 13, 2019)

Michael G. Jesselson (member since March 13, 2019)

Adrian P. Kingshott (member until March 13, 2019)

Jason D. Papastavrou

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 chairman 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 2018 and 2017, 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 2019 on April 18, 2019.

The following table shows the fees for audit and other services provided by KPMG for fiscal years 2018 and 2017.

Fee Category	2018	2017
Audit Fees	\$5,100,000	\$6,400,000
Audit-Related Fees	1,300,000	300,000
Tax Fees	1,100,000	1,700,000
All Other Fees	—	—
Total Fees	\$7,500,000	\$8,400,000

Audit Fees. This category includes fees for professional services rendered by KPMG for 2018 and 2017, 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.

Audit-Related Fees. The 2017 fees include accounting consultation related to new accounting standards. The 2018 fees include accounting consultation related to the adoption of the new lease reporting standard.

Tax Fees. This category includes fees billed for professional services rendered by KPMG in connection with tax consultation and tax compliance services in 2018 and 2017, respectively.

All Other Fees. This category represents fees for all other services or products provided and not covered by the categories above. There were no such fees for 2018 and 2017.

PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING

Proposal 1: Election of Directors

Our Board of Directors has nominated for election at the Annual Meeting each of the following persons to serve until the 2020 annual meeting of stockholders or until their successors are duly elected and qualified:

Bradley S. Jacobs
Gena L. Ashe
Marlene M. Colucci
AnnaMaria DeSalva
Michael G. Jesselson
Adrian P. Kingshott
Jason D. Papastavrou
Oren G. Shaffer

Except for Ms. Colucci, all of the nominees for directors listed above were elected by our stockholders at our 2018 annual meeting of stockholders. On February 7, 2019, our Board of Directors expanded the size of the Board to eight members and appointed Ms. Colucci to serve as a member of the Board. Bradley Jacobs, our chairman and chief executive officer, identified Ms. Colucci as a director nominee and presented such nomination to the Nominating and Corporate Governance Committee as a highly qualified candidate who brings relevant experience and diverse perspectives to the Board. 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 each of the eight (8) 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” his or her 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 Fiscal Year 2019

The Audit Committee of our Board of Directors has appointed KPMG LLP (“KPMG”) to serve as our independent registered public accounting firm for the year ending December 31, 2019. KPMG has served in this capacity since 2011.

We are asking our stockholders to ratify the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2019. 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, 2019 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 fiscal year 2019.

Proposal 3: Approval of an Amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan

We are asking our stockholders to approve an amendment (the “Amendment”) to the company’s 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the “2016 Plan”) which increases the number of shares of our common stock available for issuance thereunder by 2,000,000 shares to a total of 5,400,000 shares, extends the expiration date of the 2016 Plan to May 15, 2029 and makes certain other modifications to the 2016 Plan as described below. Our Compensation Committee and our Board believe that this share increase is necessary to ensure that the company has a sufficient reserve of shares available to enable the company to make equity award grants that attract and retain the services of key individuals essential to the company’s long-term growth and success. The Amendment was adopted by the Board on April 18, 2019, subject to, and effective upon, approval by our stockholders. Currently, the 2016 Plan provides that the maximum number of shares available for issuance pursuant to awards issued thereunder is 3,400,000 shares of our common stock. If the stockholders do not approve the Amendment, the Amendment will not become effective, the 2016 Plan will continue in effect (without giving effect to the Amendment), and we will be subject to the current share limit set forth in the 2016 Plan.

Background of the Amendment

The 2016 Plan was originally approved with a number of shares available for grant under the 2016 Plan that the Company anticipated would last for three years. We are now approaching the three-year anniversary of the stockholder approval of the 2016 Plan, and, as expected, additional shares are needed under the 2016 Plan in order for the Company to continue granting awards. Prior to recommending that the Board adopt the Amendment, the Compensation Committee considered the advice and input of management. The Amendment, as approved by our Board, is designed to allow us to continue to use different forms of compensation awards, retain and reward eligible participants under the 2016 Plan and strengthen the alignment of interests between management and our stockholders. The purpose of the Amendment is to continue promoting our interests and those of our stockholders by (1) enabling us to grant awards that attract and retain exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants), (2) enabling such individuals to participate in, and motivating their efforts toward, our long-term growth and financial success and (3) ensuring our 2016 Plan is aligned with current equity award best practices. As of April 12, 2019, 693,986 shares of our common stock remained available for future grants under the 2016 Plan, which is our only incentive award plan with shares available for issuance.

The Board and the Compensation Committee considered various factors, including (a) the number of shares available for issuance under the 2016 Plan, both currently and after giving effect to the Amendment, (b) the Company’s potential burn rate, dilution and overhang data (described below), and (c) the Company’s historical grant practices and desire to have sufficient capacity under the 2016 Plan to grant equity awards for the next two to three years (noting that potential changes in future circumstances, grant practices and other conditions, which we cannot predict at this time, may result in a different outcome).

Determination of Number of Shares for the Amendment

As of April 12, 2019, our capital structure consisted of: (i) 92,233,726 shares of outstanding common stock, (ii) 71,110 shares of preferred stock, which presently are convertible into 10,158,571 shares of our common stock and vote together with our common stock on an “as-converted” basis on all matters on which the common stock may vote, except as otherwise required by law, and separately as a class with respect to certain matters implicating the rights of holders of preferred stock, and (iii) warrants presently exercisable for an aggregate of 10,113,287 shares of our common stock at a price of \$7.00 per share (the “Warrants”). Due to our capital structure, when calculating potential dilution, or overhang, in determining a reasonable number of shares of common stock to be reserved for issuance under the 2016 Plan and the Amendment, we assume our preferred stock is converted to shares of common stock and we include the Warrants using the treasury stock method, as shown in the table below.

Our Fully-Diluted Capitalization:	
Shares of common stock	92,233,726
Shares of common stock issuable upon conversion of preferred stock	10,158,571
Shares of common stock issuable upon exercise of 10,113,287 Warrants (using the treasury method and assuming a price of \$63.19 per share, which was the closing price of our common stock on the NYSE on April 12, 2019)	8,992,967
Fully-Diluted Common Stock Outstanding	111,385,264

The table below represents our potential overhang levels based on our fully-diluted common stock outstanding, as shown above, and our request for 2,000,000 additional shares to be available for awards pursuant to the Amendment.

Potential Overhang with 2,000,000 Additional Shares:		
Total equity awards outstanding as of April 12, 2019		3,618,022
Options and Stock Appreciation Rights Outstanding*	635,606	
Restricted Stock Units and Performance-based Restricted Stock Units Outstanding	2,982,416	
Shares available for grant under the 2016 Plan		693,986
Additional requested shares		2,000,000
Total Potential Dilution, or Overhang		6,312,008
Potential Dilution as a Percentage of Fully-Diluted Common Stock Outstanding		5.67%

* Weighted average exercise price: \$12.60; weighted average remaining term: 3.05 years

XPO Burn Rate

We actively manage our long-term dilution by limiting the number of shares subject to equity awards that we grant, commonly expressed as a percentage of total shares outstanding and referred to as “burn rate.” Burn rate is a key measure of dilution that shows how rapidly a company is depleting its shares reserved for equity compensation plans, and differs from annual dilution because it does not take into account cancellations and other shares returned to the reserve. In order to calculate our burn rate, we include the number of stock options granted in any given period, plus the number of full value shares earned during the period and divide the total by the weighted average common shares outstanding.

We have calculated our burn rate under the 2016 Plan for the past three years, as set forth in the following table (share numbers rounded and reported in thousands):

	Fiscal Year Ended December 31,			3-Year Average
	2018	2017	2016	
Options Granted	0	0	5	
Restricted Stock Units Granted	533	658	383	
Performance-based Restricted Stock Units Vested	1,086	155	228	
Weighted Average Common Shares Outstanding	123,000	115,000	110,000	
Volatility Multiplier	2.0	2.0	2.0	
Burn Rate	2.63%	1.42%	1.12%	1.72%

Note: Burn rate is calculated as (options granted + RSUs granted + Performance-based RSUs vested) / weighted average shares outstanding. All RSUs granted and Performance-based RSUs vested are adjusted using a multiplier of 2.0 options per share (based on the ISS methodology and the Company’s 3-year average stock price volatility).

The primary purpose of the Amendment is to increase the number of authorized shares of our common stock available under the 2016 Plan. We estimate, based on historical grant information, that the 2,000,000 additional shares to be made available under the Amendment would provide us sufficient capacity to make awards at historical rates for approximately the next two to three years (noting that future circumstances, grant practices and other conditions, which we cannot predict at this time, may result in a different outcome). Our Board believes that this increase in authorized shares represents a reasonable amount of potential equity dilution and allows us to continue awarding equity incentives, which are an important component of our overall compensation program. Our Board and the Compensation Committee considered the following material factors, among others, in determining acceptable and targeted levels of dilution: competitive data from relevant peer companies, the current and future accounting expense associated with our equity award practices, stockholder feedback and the influence of certain proxy advisory firms. Our equity programs are revisited at least annually and assessed against these and other measures.

Summary of Significant Features of the 2016 Plan

The 2016 Plan (as modified by the Amendment) contains the following significant features:

- The maximum total number of shares of common stock, par value \$0.001 per share (our “common stock”) that we may issue under the 2016 Plan is 5,400,000 shares (including 2,000,000 additional shares added by the Amendment). The closing trading price of our common stock on the NYSE on April 12, 2019 was \$63.19;
- The maximum number of shares of our common stock available to be granted under the 2016 Plan to any participant in any fiscal year is 2,500,000;

- The maximum aggregate amount of cash and other property that is permitted to be paid or delivered under the 2016 Plan to any participant in any fiscal year is \$10,000,000; and
- The value of shares of our common stock that are available to be granted pursuant to awards to any non-employee director in the 2016 Plan in any fiscal year is limited to \$350,000 on the date of grant.

Highlights of Key Corporate Governance Practices and Provisions under the 2016 Plan

The 2016 Plan promotes the interests of our stockholders and is consistent with principles of good corporate governance. The 2016 Plan includes, among other things, the following practices and provisions:

- **Administered by an independent compensation committee.** Awards under the 2016 Plan are administered by our Compensation Committee, which is composed entirely of independent directors who meet the SEC and NYSE standards of independence.
- **Awards require a minimum vesting period.** Currently, the 2016 Plan generally requires a minimum vesting period of three years for all awards other than SARs, options, and cash incentive awards, subject to certain exceptions. If the Amendment is approved, awards granted to eligible individuals generally require a minimum designated vesting period of one year, except that up to five percent of shares available for grant under the 2016 Plan may be granted without regard to this requirement.
- **Clawbacks.** All awards under the 2016 Plan are subject to recoupment or clawback under certain circumstances.
- **No liberal share counting.** The 2016 Plan prohibits the reuse of shares withheld to satisfy the exercise price or tax withholding requirements of an award or share-based awards granted under the 2016 Plan that are settled in cash.
- **Cap on awards to non-employee directors.** The value of shares (as of the date of grant) awarded to a single non-employee director during a fiscal year will not exceed \$350,000.
- **No discounted stock options or SARs.** All stock options and stock appreciation right (or “SAR”) awards under the 2016 Plan must have an exercise price or base price that is not less than the fair market value of the underlying common stock on the date of grant.
- **No repricing of stock options or SARs.** The 2016 Plan prohibits any repricing of stock options or SARs for shares or cash without stockholder approval.
- **No tax gross-ups.** The 2016 Plan does not include any tax gross-up provisions.
- **No reloads.** The 2016 Plan does not permit the grant of stock option reloads.
- **No Dividends on Unvested Awards.** No dividends or dividend equivalents may be paid with respect to stock options, SARs, or cash awards. Currently, the 2016 Plan provides that dividends or dividend equivalents may be paid on full value stock awards on a current or deferred basis. If the Amendment is approved by stockholders, the 2016 Plan will not permit dividends or dividend equivalents to be paid in respect of any full value stock award until the underlying award becomes vested.

Summary of the 2016 Plan

The material terms of the 2016 Plan are summarized below. This summary does not contain all information about the 2016 Plan. This summary is qualified in its entirety by reference to, and should be read together with, the full text of the Amendment, which is attached to this Proxy Statement as Annex B, and full text of the 2016 Plan, which is attached to this Proxy Statement as Annex C.

Types of Awards

The 2016 Plan provides for the grant of options intended to qualify as incentive stock options (“ISOs”) under Section 422 of the Code, nonqualified stock options (“NSOs”), stock appreciation rights (“SARs”), restricted share awards, restricted stock units (“RSUs”), performance compensation awards, performance units, cash incentive awards, deferred share units and other equity-based and equity-related awards, as well as cash-based awards.

Plan Administration

The 2016 Plan is administered by the Compensation Committee of our Board or such other committee our Board designates to administer the 2016 Plan (the “Committee”). Subject to the terms of the 2016 Plan and applicable law, the Committee has sole authority to administer the 2016 Plan, including, but not limited to, the authority to (1) designate plan participants, (2) determine the type or types of awards to be granted to a participant, (3) determine the number of shares of our common stock to be covered by awards, (4) determine the terms and conditions of awards, (5) determine the vesting schedules of awards and, if certain performance criteria were required to be attained in order for an award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained,

(6) interpret, administer, reconcile any inconsistency in, correct any default in and/or supply any omission in, the 2016 Plan, (7) establish, amend, suspend or waive such rules and regulations and appoint such agents as it should deem appropriate for the proper administration of the 2016 Plan, (8) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, awards, and (9) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the 2016 Plan.

Shares Available For Awards

Subject to adjustment for changes in capitalization, there are 3,400,000 shares of our common stock, in the aggregate, that are currently authorized for delivery pursuant to awards granted under the 2016 Plan, all of which may be granted pursuant to ISOs. If the Amendment is approved by stockholders, an additional 2,000,000 shares of our common stock would be available to be delivered pursuant to awards granted under the 2016 Plan so that the total number of shares available to be delivered pursuant to awards granted under the 2016 Plan would be 5,400,000, of which 3,400,000 may be granted pursuant to ISOs. Awards that are settled in cash do not reduce the number of shares available for delivery under the 2016 Plan. If any award granted under the 2016 Plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of all shares subject thereto, then the number of shares subject to such award that were not issued are not treated as issued for purposes of reducing the maximum aggregate number of shares that may be delivered pursuant to the 2016 Plan.

Notwithstanding the foregoing, and for the avoidance of doubt, shares that were surrendered or tendered to us in payment of the exercise price of an award (including with respect to stock-settled SARs) or any taxes required to be withheld in respect of an award and awards based on the fair market value of a share that are settled other than by the delivery of shares (including cash settlement) do not become available again to be delivered pursuant to awards under the 2016 Plan or increase the number of shares that may be delivered pursuant to ISOs under the 2016 Plan. Subject to adjustment for changes in capitalization, the maximum number of shares of our common stock that is available to be granted pursuant to awards to any participant in the 2016 Plan in any fiscal year is 2,500,000. In the case of awards settled in cash based on the fair market value of a share, the maximum aggregate amount of cash that is permitted to be paid pursuant to awards granted to any participant in the 2016 Plan in any fiscal year is equal to the per-share fair market value as of the relevant vesting, payment or settlement date multiplied by the maximum number of shares which could be granted, as described above (*i.e.*, 2,500,000 shares). The maximum aggregate amount of cash and other property (valued at fair market value) that is permitted to be paid or delivered pursuant to awards under the 2016 Plan (other than as described in the two immediately preceding sentences) to any participant in any fiscal year is \$10,000,000. The maximum value of shares of our common stock that are available to be granted pursuant to awards to any non-employee director in the 2016 Plan in any fiscal year is \$350,000 as of the date of grant. Subject to adjustment for changes in capitalization, the maximum number of shares of our common stock that is available to be granted pursuant to ISOs to any participant in the 2016 Plan in any fiscal year is 2,500,000.

Changes in Capitalization

In the event of any extraordinary dividend or other extraordinary distribution, recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off affecting the shares of our common stock, the Committee shall make equitable adjustments and other substitutions to the 2016 Plan and awards under the 2016 Plan in the manner it determined to be appropriate or desirable. In the event of any reorganization, merger, consolidation, combination, repurchase or exchange of our common stock or other similar corporate transactions, the Committee in its discretion is permitted to make such adjustments and other substitutions to the 2016 Plan and awards under the 2016 Plan as it deems appropriate or desirable.

Substitute Awards

The Committee is permitted to grant awards in assumption of, or in substitution for, outstanding awards previously granted by us or any of our affiliates or a company that we acquired or with which we combined. Any shares issued by us through the assumption of or substitution for outstanding awards granted by a company that we acquired do not reduce the aggregate number of shares of our common stock available for awards under the 2016 Plan, except that awards issued in substitution for ISOs will reduce the number of shares of our common stock available for ISOs under the 2016 Plan.

Source of Shares

Any shares of our common stock issued under the 2016 Plan consist, in whole or in part, of authorized and unissued shares or of treasury shares.

Eligible Participants

Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of our company or our affiliates is eligible to participate in the 2016 Plan. As of April 12, 2019, there were seven non-employee directors, four executive officers, approximately 100,000 employees, and approximately 13,000 consultants in the United States (the number of consultants engaged in other jurisdictions varies, and the Company generally does not expect to grant awards to consultants in such other jurisdictions).

Stock Options

The Committee is permitted to grant both ISOs and NSOs under the 2016 Plan. The exercise price for stock options may not be less than the fair market value (as defined in the 2016 Plan) of our common stock on the grant date. The Committee may not reprice any stock option granted under the 2016 Plan without the approval of our stockholders. All stock options granted under the 2016 Plan are NSOs unless the applicable award agreement expressly stated that the stock option was intended to be an ISO. Subject to the provisions of the 2016 Plan (including the minimum vesting period described below) and the applicable award agreement, the Committee determines, at or after the grant of a stock option, the vesting criteria, term, methods of exercise and any other terms and conditions of any stock option. Unless otherwise set forth in the applicable award agreement, each stock option expires upon the earlier of (i) the tenth anniversary of the date the stock option was granted and (ii) three months after the participant who was holding the stock option ceased to be a director, officer, employee or consultant for us or one of our affiliates. The exercise price is permitted to be paid with cash (or its equivalent) or, in the sole discretion of the Committee, with previously acquired shares of our common stock or through delivery of irrevocable instructions to a broker to sell our common stock otherwise deliverable upon the exercise of the stock option (provided that there was a public market for our common stock at such time), or, in the sole discretion of the Committee, a combination of any of the foregoing, provided that the combined value of all cash and cash equivalents and the fair market value of any such shares so tendered to us as of the date of such tender, together with any shares withheld by us in respect of taxes relating to a stock option, was at least equal to such aggregate exercise price.

Stock Appreciation Rights

The Committee is permitted to grant SARs under the 2016 Plan. The exercise price for SARs may not be less than the fair market value (as defined in the 2016 Plan) of our common stock on the grant date. The Committee may not reprice any SAR granted under the 2016 Plan without the approval of our stockholders. Upon exercise of a SAR, the holder receives cash, shares of our common stock, other securities, other awards, other property or a combination of any of the foregoing, as determined by the Committee, equal in value to the excess, if any, of the fair market value of a share of our common stock on the date of exercise of the SAR over the exercise price of the SAR. Subject to the provisions of the 2016 Plan (including the minimum vesting period described below) and the applicable award agreement, the Committee determines, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR. Unless otherwise set forth in the applicable award agreement, each SAR expires upon the earlier of (i) the tenth anniversary of the date the SAR was granted and (ii) three months after the participant who was holding the SAR ceased to be a director, officer, employee or consultant for us or one of our affiliates. Under certain circumstances, the Committee has the ability to substitute, without the consent of the affected participant, SARs for outstanding NSOs. No SAR granted under the 2016 Plan could be exercised more than 10 years after the date of grant.

Restricted Shares and Restricted Stock Units

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant restricted shares and RSUs. Restricted shares and RSUs are not permitted to be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the 2016 Plan or the applicable award agreement, except that the Committee may determine that restricted shares and RSUs are permitted to be transferred by the participant for no consideration. Restricted shares may be evidenced in such manner as the Committee determines.

An RSU is granted with respect to one share of our common stock or has a value equal to the fair market value of one such share. Upon the lapse of restrictions applicable to an RSU, the RSU may be paid in cash, shares of our common stock, other securities, other awards or other property, as determined by the Committee, or in accordance with the applicable award agreement. In connection with each grant of restricted shares, except as provided in the applicable award agreement, the holder is entitled to the rights of a stockholder (including the right to vote and receive dividends) in respect of such restricted shares. The Committee is permitted to, on such terms and conditions as it might determine, provide a participant who holds RSUs with dividend equivalents, payable in cash, shares of our common stock, other securities, other awards or other property.

Performance Units

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant performance units to participants. Performance units are awards with an initial value established by the Committee (or that was determined by reference to a valuation formula specified by the Committee) at the time of the grant. In its discretion, the Committee sets performance goals that, depending on the extent to which they were met during a specified performance period, determine the number and/or value of performance units that are paid out to the participant. The Committee, in its sole discretion, is permitted to pay earned performance units in the form of cash, shares of our common stock or any combination thereof that has an aggregate fair market value equal to the value of the earned performance units at the close of the applicable performance period. The determination of the Committee with respect to the form and timing of payout of performance units is set forth in the applicable award agreement. The Committee is permitted to, on such terms and conditions as it might determine, provide a

participant who holds performance units with dividends or dividend equivalents, payable in cash, shares of our common stock, other securities, other awards or other property.

Cash Incentive Awards

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant cash incentive awards to participants. In its discretion, the Committee determines the number of cash incentive awards to be awarded, the duration of the period in which, and any condition under which, the cash incentive awards vest or are forfeited, and any other terms and conditions applicable to the cash incentive awards. Subject to the provisions of the 2016 Plan, the holder of a cash incentive award may receive payment based on the number and value of the cash incentive award earned, which is determined by the Committee, in its discretion, based on the extent to which performance goals or other conditions applicable to the cash incentive award have been achieved.

Other Stock-Based Awards

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant to participants other equity-based or equity-related compensation awards, including vested stock. The Committee is permitted to determine the amounts and terms and conditions of any such awards.

Clawbacks

The Company may clawback awards provided to eligible employees to the extent required by applicable law and as otherwise determined by the Compensation Committee and set forth in an award agreement.

Minimum Vesting Period

Currently, the 2016 Plan generally requires a minimum vesting period of three years for all awards other than SARs, options, and cash incentive awards, subject to certain exceptions. If the Amendment is approved by stockholders, all awards granted under the 2016 Plan will be subject to a designated vesting period of at least one year following the date of grant, except that up to five percent of shares available for grant under the 2016 Plan may be granted without regard to this requirement and the Committee may accelerate the vesting with respect to any such awards.

Amendment and Termination of the 2016 Plan

Subject to any applicable law or government regulation and to the rules of the applicable national stock exchange or quotation system on which the shares of our common stock may be listed or quoted, the 2016 Plan may be amended, modified or terminated by our Board without the approval of our stockholders, except that stockholder approval is required for any amendment that (i) increases the maximum number of shares of our common stock available for awards under the 2016 Plan or increase the maximum number of shares of our common stock that could be delivered pursuant to ISOs granted under the 2016 Plan, (ii) changes the class of employees or other individuals eligible to participate in the 2016 Plan, (iii) amends or decrease the exercise price of any option or SAR, (iv) cancels or exchanges any option or SAR at a time when its exercise price exceeds the fair market value of the underlying shares, (v) allows repricing of any option or SAR without stockholder approval, or (vi) constitutes a material increase in the benefits to be provided to eligible employees within the meaning of the New York Stock Exchange rules as of the date hereof. Under these provisions, stockholder approval is not be required for all possible amendments that might increase the cost of the 2016 Plan. No modification, amendment or termination of the 2016 Plan that materially and adversely impairs the rights of any participant is effective without the consent of the affected participant, unless otherwise provided by the Committee in the applicable award agreement.

The Committee is permitted to waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award previously granted under the 2016 Plan, the Prior Plan or the Stock Option Plan, prospectively or retroactively. However, unless otherwise provided by the Committee in the applicable award agreement or in the 2016 Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that materially and adversely impairs the rights of any participant to any award previously granted is not effective without the consent of the affected participant.

The Committee is authorized to make adjustments in the terms and conditions of awards in the event of any unusual or nonrecurring corporate event (including the occurrence of a change of control of our company) affecting us, any of our affiliates or our financial statements or the financial statements of any of our affiliates, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law whenever the Committee, in its discretion, determined that those adjustments were appropriate or desirable, including providing for the substitution or assumption of awards, accelerating the exercisability of, lapse of restrictions on, or termination of, awards or providing for a period of time for exercise prior to the occurrence of such event and, in its discretion, the Committee is permitted to provide for a cash payment to the holder of an award in consideration for the cancellation of such award.

Change of Control

The 2016 Plan provides that, unless otherwise provided in an award agreement, in the event of a change of control of our company, awards will be assumed and replaced by awards of equivalent value in connection with the change of control and such assumed awards will have so-called “double trigger” vesting provisions, such that the awards will vest in full and become immediately exercisable upon qualifying terminations of employment during the two-year period following the change of control. However, in the event that awards are not replaced with awards of equivalent value the vesting of the awards will generally accelerate immediately prior to the change of control.

Unless otherwise provided pursuant to an award agreement, a change of control is defined to mean any of the following events, generally:

- during any period, a change in the composition of a majority of the board of directors, as constituted on the first day of such period, that was not supported by a majority of the incumbent board of directors;
- consummation of certain mergers or consolidations of our company with any other corporation following which our stockholders hold 50% or less of the combined voting power of the surviving entity;
- the stockholders approve a plan of complete liquidation or dissolution of our company; or
- an acquisition by any individual, entity or group of beneficial ownership of a percentage of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors that was equal to or greater than 30%.

Although award agreements may provide for a different definition of change of control than is provided for in the 2016 Plan, except in the case of a transaction described in the third bullet above, any definition of change of control set forth in any award agreement must provide that a change of control will not occur until consummation or effectiveness of a change of control of our company, rather than upon the announcement, commencement, stockholder approval or other potential occurrence of any event or transaction that, if completed, will result in a change of control of our company.

Term of the 2016 Plan

Currently, no award may be granted under the 2016 Plan after the tenth anniversary of December 20, 2016. If the Amendment is approved by our stockholders, then no award may be granted under the 2016 Plan after May 15, 2029.

New Plan Benefits

Awards under the 2016 Plan are made at the discretion of the Committee. Therefore, the benefits or amounts that will be received by or allocated to each named executive officer, all current executive officers as a group, all directors who are not executive officers as a group, and all employees who are not executive officers as a group, under the 2016 Plan if the Amendment is approved by stockholders are not presently determinable.

Certain U.S. Federal Income Tax Aspects of the 2016 Plan

The following summary describes the U.S. Federal income tax treatment associated with options awarded under the 2016 Plan. The summary is based on the law as in effect on the date of this filing, which is subject to change (possibly retroactively). The summary does not purport to cover federal employment tax or other federal tax consequences that may be associated with the 2016 Plan, nor does it discuss state, local and foreign tax consequences. The tax treatment of participants in the 2016 Plan may vary depending on each participant’s particular situation and may, therefore, be subject to special rules not discussed below. Participants are advised to consult with a tax advisor concerning the specific tax consequences of participating in the 2016 Plan.

Incentive Stock Options

Neither the grant nor the exercise of an ISO results in taxable income to the optionee for regular U.S. federal income tax purposes. However, an amount equal to (i) the per-share fair market value on the exercise date minus the exercise price at the time of grant multiplied by (ii) the number of shares with respect to which the ISO is being exercised will count as “alternative minimum taxable income” which, depending on the particular facts, could result in liability for the “alternative minimum tax” or AMT. If the optionee does not dispose of the shares issued pursuant to the exercise of an ISO until the later of the two-year anniversary of the date of grant of the ISO and the one-year anniversary of the date of the acquisition of those shares, then (a) upon a later sale or taxable exchange of the shares, any recognized gain or loss will be treated for tax purposes as a long-term capital gain or loss and (b) we will not be permitted to take a deduction with respect to that ISO for federal income tax purposes.

If shares acquired upon the exercise of an ISO were disposed of prior to the expiration of the two-year and one-year holding periods described above (a “disqualifying disposition”), generally the optionee will realize ordinary income in the year of disposition in an amount equal to the lesser of (i) any excess of the fair market value of the shares at the time of exercise of

the ISO over the amount paid for the shares or (ii) the excess of the amount realized on the disposition of the shares over the participant's aggregate tax basis in the shares (generally, the exercise price). A deduction will generally be available to us equal to the amount of ordinary income recognized by the optionee. Any further gain realized by the optionee will be taxed as short-term or long-term capital gain and will not result in any deduction by us. A disqualifying disposition occurring in the same calendar year as the year of exercise will eliminate the alternative minimum tax effect of the ISO exercise.

Special rules may apply where all or a portion of the exercise price of an ISO is paid by tendering shares, or if the shares acquired upon exercise of an ISO are subject to substantial forfeiture restrictions. The foregoing summary of tax consequences associated with the exercise of an ISO and the disposition of shares acquired upon exercise of an ISO assumes that the ISO is exercised during employment or within three months following termination of employment. The exercise of an ISO more than three months following termination of employment will result in the tax consequences described below for NSOs, except that special rules apply in the case of disability or death. An individual's stock options otherwise qualifying as ISOs will be treated for tax purposes as NSOs (and not as ISOs) to the extent that, in the aggregate, they first become exercisable in any calendar year for stock having a fair market value (determined as of the date of grant) in excess of \$100,000.

Nonqualified Stock Options

An NSO (that is, a stock option that does not qualify as an ISO) results in no taxable income to the optionee or deduction to us at the time it is granted. An optionee exercising an NSO will, at that time, realize taxable compensation equal to (i) the per-share fair market value on the exercise date minus the exercise price at the time of grant multiplied by (ii) the number of shares with respect to which the stock option is being exercised. If the NSO was granted in connection with employment, this taxable income will also constitute "wages" subject to withholding and employment taxes. A corresponding deduction will generally be available to us. The foregoing summary assumes that the shares acquired upon exercise of an NSO option are not subject to a substantial risk of forfeiture.

Restricted Stock and Restricted Stock Units

A restricted stock award results in no taxable income to the grantee or deduction to us at the time it is granted, unless the grantee elected to realize ordinary income in the year the award is granted in an amount equal to the fair market value of the restricted stock awarded, determined without regard to the restrictions. If no such election has been made, when the restrictions lapse with regard to any installment of restricted stock, the grantee will recognize ordinary income in an amount equal to the fair market value of the shares with respect to which the restrictions lapse. A grantee will not recognize income at the time an award of restricted stock units ("RSUs") is granted. The grantee will generally recognize ordinary income at the time the RSUs vest, in an amount equal to the cash paid or to be paid or the fair market value of the shares delivered or to be delivered. If the award of restricted stock or RSUs was granted in connection with employment, this taxable income will also constitute "wages" subject to withholding and employment taxes. A corresponding deduction will generally be available to us.

Section 162(m)

In general, Section 162(m) of the Code currently provides that if, in any year, the compensation that is paid to any "covered employee" (as defined under Section 162(m)) exceeds \$1,000,000 per person, any amounts that exceed the \$1,000,000 threshold will not be deductible by us for federal income tax purposes.

Section 409A

Section 409A of the Code imposes restrictions on nonqualified deferred compensation. Failure to satisfy these rules results in accelerated taxation, an additional tax to the holder in an amount equal to 20% of the deferred amount, and a possible interest charge. Stock options granted with an exercise price that is not less than the fair market value of the underlying shares on the date of grant will not give rise to "deferred compensation" for this purpose unless they involve additional deferral features. Stock options that are awarded under the 2016 Plan are intended to be eligible for this exception.

Required Vote

The approval of an amendment to the company's 2016 Omnibus Incentive Compensation Plan 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 resolution to approve the amendment to the company's 2016 Omnibus Incentive Compensation Plan to increase the number of available shares and extend the term of the plan.

Proposal 4: Advisory Vote to Approve Executive Compensation

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, and Section 14A of the Securities Exchange Act of 1934, require that we provide our stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our NEOs 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 2019 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 NEOs 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 2018 annual meeting of stockholders, our stockholders voted to approve an annual holding of the advisory vote on executive compensation. This frequency will continue until the next required non-binding, advisory vote is held on the frequency of advisory votes on executive compensation in 2024, as per the SEC rules.

Required Vote

Approval of this advisory 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 5: Stockholder Proposal Regarding the Requirement that the Chairman of the Board be an Independent Director

We have been notified that the International Brotherhood of Teamsters, 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 December 17, 2018, it was the beneficial owner of 160 shares of the company's common stock, with an approximate value of \$16,000, and that it intends to maintain such ownership through the date of the annual meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent's supporting statement, which are set forth below as they were submitted to us.

Proposal

RESOLVED: Shareholders of XPO Logistics, Inc. ("the company"), urge the Board of Directors (the "Board") to take the steps necessary to adopt a policy, with amendments to governing documents as needed, so that, to the extent feasible, the chairman of the Board shall be an independent director who has not previously served as an executive officer of the company. The policy should be implemented so as not to violate any contractual obligations and should specify the process for selecting a new independent chairman if the chairman ceases to be independent between annual meetings of shareholders or if no independent director is available and willing to serve as chairman.

SUPPORTING STATEMENT: XPO's CEO currently serves as Board chairman. In our view, the chairman should be an independent director, who has not previously served as an executive, in order to provide robust oversight and accountability of management, and to facilitate effective deliberation of corporate strategy, which we believe, is difficult to accomplish when the CEO serves as chairman. Even with robust responsibilities, we believe the position of a lead independent director is inadequate to this task because ultimate responsibility for board leadership remains with the chairman/CEO.

In our opinion, these considerations are especially critical at XPO given the recent media and political scrutiny of the company's culture. On the heels of a front page New York Times investigation into a spate of miscarriages and allegations of pregnancy discrimination at a Memphis facility owned by XPO and operated on behalf of Verizon, nine U.S. Senators wrote to XPO (and Verizon) calling for immediate changes to the "allegedly deleterious workplace practices." Separately, 97 U.S. House representatives have called on the House Committee on Education and the Workforce to investigate allegations of pregnancy discrimination, sexual harassment and hazardous working conditions at the company.

In the midst of such scrutiny, we believe an independent chairman can be invaluable in ensuring XPO maintains good communications and credibility with stakeholders. In addition, independent board leadership could strengthen board management dialogue on corporate culture and compliance.

We urge fellow shareholders to vote FOR this proposal.

Statement in Opposition by our Board of Directors

Mr. Jacobs' Combined Role of Chairman and CEO Serves the Best Interests of XPO's Stockholders.

At this time, the Board believes that the short-term and long-term interests of the company's stockholders are best served by Bradley S. Jacobs serving as both Board chairman and chief executive officer. Mr. Jacobs has an important record of creating significant value for stockholders. Since Mr. Jacobs joined XPO as chairman and chief executive officer in 2011, XPO's annual revenue has grown from less than \$200 million to more than \$17 billion. Under his leadership, the company has won numerous accolades, including being named one of the "World's Most Admired Companies" by Fortune magazine and one of "America's Best Employers" by Forbes magazine. The Board believes that Mr. Jacobs' leadership in both his Board and executive roles has been critical to the success of XPO's business and culture, and that separating the roles would be deleterious in both the near-term and the long-term and would unduly risk the speed and quality of the company's decision-making process.

XPO Has a Robust Governance Structure that Ensures Independent Oversight of Management.

The company's robust corporate governance structure enables the Board to strike the right balance between decisive leadership and rigorous independent oversight of management. The company's Board composition is highly independent. Seven of XPO's eight directors are independent, three of whom have been added to the Board since 2016. Furthermore, the Board's committees and the committee chairs are comprised solely of independent directors. The charters of these committees require that all members be independent, with the sole exception of the Acquisition Committee. However, the current members of the Acquisition Committee are also all independent.

To complement the roles of the committees and the committee chairs in providing effective independent oversight, the Board has established two leadership positions for independent directors – the lead independent director and the vice chairman.

The authorities and duties of the lead independent director include, among others: (i) presiding at executive sessions of outside directors and at meetings of the Board where the chairman is not present; (ii) coordinating with the chairman with respect to meeting agendas and approving final meeting agendas; (iii) coordinating with the chairman as to appropriate Board

meeting schedules to ensure sufficient time for discussion of all agenda items; (iv) coordinating with the chairman on the materials sent to the Board, and approving final meeting materials; (v) calling and chairing sessions of the independent directors; (vi) ensuring availability for direct stockholder communication as appropriate, if requested by major stockholders; and (vii) serving as a liaison between the chairman and the non-management directors.

Michael Jesselson, an independent director who has an exemplary record as a director of XPO, and who has substantial public company board experience, has served as the lead independent director since 2016. The Board believes that the position of lead independent director has served as an effective balance to the dual roles served by Mr. Jacobs.

Recently, the Board established an independent vice chairman position as part of its ongoing commitment to strong corporate governance. The position of vice chairman is defined as an independent director with authorities and duties that include, among others: (i) presiding at meetings of the Board where the chairman and the lead independent director are not present; (ii) assisting the chairman, when appropriate, in carrying out his or her duties; (iii) assisting the lead independent director, when appropriate, in carrying out his or her duties; and (iv) such other duties, responsibilities and assistance as the Board or the chairman may determine.

AnnaMaria DeSalva, an independent director of XPO since 2017, and who has a wealth of experience with public policy development, has served as vice chairman of the Board since February 2019. In this role, Ms. DeSalva provides support on key governance matters and stockholder engagement to the chairman, the lead independent director and the rest of the Board.

To encourage open discussion without management's influence, XPO's Corporate Governance Guidelines (available on the company's corporate website at www.xpo.com under the Investors tab) require that non-management directors meet one or more times annually without the presence of management. To further facilitate independent oversight, the Corporate Governance Guidelines provide for Board members' unfettered access to senior XPO officers and outside advisors, and also require directors to "exercise appropriate diligence in making decisions and in overseeing management of the company . . . based on the best interests of the company and its stockholders and without regard to any personal interest."

As a result of these strong governance practices, the independent oversight of management and of issues of fundamental importance to the company is already delegated to the Board's independent directors, including two independent directors who are part of the Board's mandated leadership structure.

XPO's Existing Governance Structure Strikes the Right Balance Between Ensuring Independent Oversight of Management and Not Limiting the Board's Imperative Flexibility.

As the company's Board of Directors has repeatedly demonstrated over the years, the Board takes matters of corporate governance very seriously and believes that an appropriate balance already exists between Mr. Jacobs' effective leadership and the robust corporate governance practices in effect. The Board of Directors of XPO also believes that the company should maintain the flexibility to select the most appropriate Board structure based on myriad internal and external factors. The proposal, which requires that the chairman be an independent director who has not previously served as an executive officer of the company, would unduly restrict the Board from determining the best structure at a particular time and, thus, would not be in the best interests of the company and its stockholders. The Board's opinion in this matter is the product of its regular evaluations of Board policies, as well as its careful consideration of the proposal at hand.

Therefore, the Board believes that this proposal is both unnecessary and not in the best interests of XPO's stockholders, particularly as it would deprive the Board of the flexibility required to exercise its business judgment in selecting the most qualified and appropriate individuals to lead the Board.

For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 5.

Required Vote

Approval of a policy requiring that the chairman of the Board of Directors be appointed from among independent directors 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 "AGAINST" this stockholder proposal.

Proposal 6: Stockholder Proposal Regarding Ways to Strengthen the Prevention of Workplace Sexual Harassment and Align Senior Executive Compensation Incentives

We have been notified that the Service Employees International Union Pension Plans Master Trust, 1800 Massachusetts Ave., NW Washington DC 20036 expects to introduce and support the following proposal at the Annual Meeting. This stockholder proponent has provided certification indicating that, as of December 18, 2018, it was the beneficial owner of 3,965 shares of the company's common stock, with an approximate value of \$378,000, and that it intends to hold at least the minimum number of shares of the company's common stock required by the SEC through the date of the Annual Meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent's supporting statement, which are set forth below as they were submitted to us.

Proposal

RESOLVED: That shareholders of XPO Logistics ("XPO") urge the Board of Directors to strengthen XPO's prevention of workplace sexual harassment by formalizing the Board's oversight responsibility, aligning senior executive compensation incentives, reviewing (and if necessary overseeing revision of) company policies, and reporting to shareholders by December 31, 2019 on actions taken (omitting confidential and proprietary information, as well as facts relevant to claims against XPO of which XPO has notice).

SUPPORTING STATEMENT: Recently, workplace sexual harassment has generated substantial attention from the media and policy makers and has spurred significant public debate. The high-profile #metoo social media hashtag, and sexual harassment claims involving public figures like Bill O'Reilly, Steve Wynn, and Les Moonves, have highlighted the prevalence and impact of harassment. The proportion of Americans who believe workplace sexual harassment is a serious problem increased from 47% in 2011 to 64% in 2017. (Cornerstone)

Workplace sexual harassment can damage companies in several ways. First, it may harm corporate reputation, alienating consumers. A recent study reported in the Harvard Business Review found that a single sexual harassment claim makes a company seem less equitable and that sexual harassment, more than financial misconduct, is perceived as evincing a problematic corporate culture. (https://hbr.org/2018/06/research-how-sexual-harassment-affects-a-companys-public-image?utm_source=twitter&utm_campaign=hbr&utm_medium=social)

As well, a company whose corporate culture tolerates sexual harassment tends to have higher turnover and less productive employees. The Center for American Progress estimates median turnover costs at 21% of an employee's annual salary. Productivity can fall due to absenteeism, lower motivation, greater conflict and avoiding interaction with harassers. (https://law.vanderbilt.edu/phd/faculty/joni-hersch/2015_Hersch_Sexual_Harassment_in_the_Workplace_IZAWOL_Oct15.pdf) Sexual harassment allegations can also lead to declines in share value. For example, the market capitalization of Wynn Resorts dropped by \$3 billion over two days after sexual harassment allegations against CEO Steve Wynn surfaced. (<https://www.marketwatch.com/story/wynn-resorts-shares-tank-after-report-of-sexual-misconduct-by-owner-steve-wynn-2018-01-26>)

In our view, the Board can play a key role in preventing and remedying sexual harassment. Law firm Wachtell, Lipton, Rosen & Katz, which counsels XPO, has noted workplace sexual misconduct "relates to key areas of board-level governance" such as "tone-at-the-top" and risk management. (<https://www.conference-board.org/retrievefile.cfm?filename=Topic-I—Board-Harassment-and-Gender-Diversity.pdf&type=subsite>).

Robust Board oversight is especially important at XPO following multiple reports of sexual harassment, as well as gender and pregnancy discrimination—prompting calls for an investigation by 97 U.S. House Representatives. In 2018, at least 12 women at three XPO warehouses filed charges with the Equal Employment Opportunity Commission alleging sexual harassment and discrimination by supervisors, and in certain cases retaliation. In September, The New York Times published a front-page investigation into a spate of miscarriages at a Memphis warehouse currently operated by XPO. The report, which prompted inquiries from nine U.S. Senators into pregnancy discrimination at XPO, asserts that many of the women involved were denied doctor requests for modified work. Accounts of sexual harassment, gender bias, and pregnancy discrimination have also arisen at an XPO-run warehouse in Guadalajara, Spain.

We urge shareholders to support this proposal.

Statement in Opposition by Our Board of Directors

The Board of Directors of XPO has reviewed the proposal and the Company's existing policies and practices with respect to the prevention of sexual harassment. As explained in more depth below, XPO's existing policies and procedures already provide a robust framework to prevent any kind of workplace harassment, including sexual harassment, and thus the Board believes the proposal is unnecessary.

The Board Has Already Formalized Its Oversight Role in the Company's Policies and Public Disclosures.

With regard to the prevention of workplace harassment, including sexual harassment, the Board has already defined its oversight role in a clear and sufficient manner in the Company's policies and public disclosures. The Board has established

the Company's Code of Business Ethics and other Business Ethics Policies (including the No Discrimination, Harassment or Retaliation Policy) that expressly focus on preventing sexual harassment and discrimination.

In addition, as disclosed in this Proxy Statement, the Board provides overall risk oversight with a focus on the most significant risks facing the Company, and regularly discusses current and potential risks and approaches for assessing, monitoring, mitigating and controlling risk exposure. To assist with the Board's risk oversight function, the Board has established four committees, including the Audit Committee, which is specifically responsible for supporting the Board's oversight of the Company's compliance with legal and regulatory requirements, including the prevention of sexual harassment. Such responsibility of the Audit Committee is clearly delineated in its Charter.

XPO Has Already Established Policies and Procedures to Prevent Workplace Sexual Harassment.

The Company has already established policies and procedures intended to prevent any kind of workplace harassment, including sexual harassment. The Company's Code of Business Ethics makes it clear that the Company does not tolerate harassment or discrimination on the basis of any protected category or class and that the Company's employees, officers and directors must not engage in any abusive, harassing or offensive conduct, whether verbal, physical or visual. The Company has further adopted a No Discrimination, Harassment or Retaliation Policy (the "Policy") to further reinforce the prevention of workplace harassment. The Policy provides for, among other things, the prohibition of discrimination, harassment or retaliation in the workplace; the prompt investigation of all claims of discrimination, harassment or retaliation; and appropriate remedial action, up to and including dismissal. The Policy, together with the Company's Code of Business Ethics, also sets forth specific reporting procedures that include the Ethics Hotline, where concerns can be reported anonymously if desired by employees. Accordingly, the Code of Business Ethics, the Policy and the Ethics Hotline provide a robust framework to address any potential incidence of sexual harassment throughout the Company.

To ensure that all employees of the Company understand and comply with the Company's values and rules of conduct, the Company distributes an Employee Handbook to each employee. The Employee Handbook explains the internal policies of the Company in detail, including the Code of Business Ethics and the Policy. In addition, the Company provides training on the Code of Business Ethics and Employee Handbook and provides refresher training on the policies prohibiting harassment, discrimination and retaliation (including the Policy) as needed. The Employee Handbook is reviewed annually by Company management.

The Company also regularly reviews and supplements its policies as needed, and the Board participates in various reviews and advises management regarding these topics. For example, on May 10, 2018, the Company engaged Tina Tchen, former Chief of Staff to First Lady Michelle Obama, and Executive Director of the White House Council on Women and Girls, to conduct a review and advise the Company on its workplace culture and policies. Ms. Tchen's review was initially intended to independently identify areas of potential improvement; however, when allegations were raised related to the Company's pregnancy accommodation practices, the Company expanded the scope of her retention to include an independent investigation into these allegations. While Ms. Tchen's investigation found no wrongdoing by the Company, she recommended additional education and training of supervisors and workers, which the Company immediately implemented. In addition, in advance of the conclusion of the investigation, the Company adopted a new Pregnancy Care Policy that far exceeds any federal, state or local requirements, and is one of the most progressive policies in place around the country.

XPO's Executive Compensation Structure Is Aligned with the Interests of XPO's Stockholders.

The Board has already addressed the request of the proposal to "align[...] senior executive compensation incentives." Putting aside the proposal's critical flaw of not providing clarity on what kind of alignment would be expected, the Board has already implemented a compensation structure that strikes an appropriate balance in motivating senior executives to deliver long-term results for the Company's stockholders, while simultaneously holding its senior leadership team accountable. The Company's executive compensation consists of fixed base salaries and variable incentive compensation in the form 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.

Specifically, with regard to the Company's named executive officers (NEOs), the total reward package for each NEO reflects assessments of individual responsibilities, contributions to corporate performance, the company's trend on total stockholder return and overall company success in reaching strategic goals. The Company has also established a broad clawback policy, under which the Company may recoup executive compensation in the event of certain misconduct that violates Company policies. Accordingly, the Company has already aligned its senior executive compensation incentives with the interests of the Company's stockholders.

In summary, the Board believes that the Company's policies effectively articulate and implement its longstanding support for, and continued commitment to, the prevention of sexual harassment, and therefore adoption of the proposal would not provide any additional benefits or safeguards.

For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 6.

Required Vote

Approval of a policy requiring the company to adopt measures to strengthen prevention of workplace sexual harassment and align senior executive compensation incentives 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 “AGAINST” this stockholder proposal.

Other Matters

We do not expect that any matter other than the foregoing proposals will be brought before the 2019 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.

ADDITIONAL INFORMATION

Availability of Annual Report and Proxy Statement

If you would like to receive a copy of our 2018 Annual Report or this Proxy Statement, please contact us at: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, CT 06831 or by telephone at 1-855-976-6951, 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 the Investor Relations section of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

ANNEX A - RECONCILIATION OF NON-GAAP MEASURES

Consolidated Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in millions)

Years Ended December 31,

	2018	2017	2016	2015	2014
Net income (loss) attributable to common shareholders	\$390	\$312	\$63	\$(246)	\$(107)
Preferred stock beneficial conversion charge	—	—	—	52	40
Distributed and undistributed net income	32	28	6	3	3
Net income (loss) attributable to noncontrolling interests	22	20	16	(1)	—
Net income (loss)	444	360	85	(192)	(64)
Debt commitment fees	—	—	—	20	15
Debt extinguishment loss	27	36	70	—	—
Other interest expense	217	284	361	187	28
Loss on conversion of convertible senior notes	—	1	—	10	6
Income tax provision (benefit)	122	(99)	22	(91)	(26)
Accelerated amortization of trade names	—	—	—	2	3
Depreciation and amortization expense	716	658	643	363	95
Unrealized (gain) loss on foreign currency option and forward contracts	(20)	49	(36)	3	—
EBITDA	\$1,506	\$1,289	\$1,145	\$302	\$57
Transaction, integration and rebranding costs	33	78	103	201	24
Restructuring costs	21	—	—	—	—
Litigation costs	26	—	—	—	—
Gain on sale of equity investment	(24)	—	—	—	—
Gain on sale of intermodal equipment	—	—	—	(10)	—
Adjusted EBITDA	\$1,562	\$1,367	\$1,248	\$493	\$81

Consolidated Reconciliation of GAAP Net Income and Net Income Per Share to Adjusted Net Income and Adjusted Net Income Per Share

(in millions, except per share data)

	Years Ended December 31,	
	2018	2017
GAAP net income attributable to common shareholders	\$390	\$312
Debt extinguishment loss	27	36
Unrealized (gain) loss on foreign currency option and forward contracts	(20)	49
Transaction, integration and rebranding costs	33	78
Restructuring costs	21	–
Litigation costs	26	–
Gain on sale of equity investment	(24)	–
Loss on conversion of convertible senior notes	–	1
Income tax associated with the adjustments above	(15)	(55)
Impact of tax reform act	–	(173)
Discrete and other tax-related adjustments	–	(2)
Impact of noncontrolling interests on above adjustments	(2)	(3)
Allocation of undistributed earnings	(4)	6
Adjusted net income attributable to common shareholders	\$432	\$249
Adjusted basic earnings per share	\$3.51	\$2.16
Adjusted diluted earnings per share	\$3.19	\$1.95
Weighted-average common shares outstanding		
Basic weighted-average common shares outstanding	123	115
Diluted weighted-average common shares outstanding	135	128

Reconciliation of Cash Flows from Operating Activities to Free Cash Flow (in millions)

	Years Ended December 31,	
	2018	2017
Cash flows provided by operating activities	\$1,102	\$785
Payment for purchases of property and equipment	(551)	(504)
Proceeds from sales of assets	143	118
Free Cash Flow	\$694	\$399

Reconciliation of Revenue to Organic Revenue (in millions)

	Years Ended December 31,	
	2018	2017
Revenue	\$17,279	\$15,381
Fuel	(1,788)	(1,441)
Foreign exchange rates	(251)	—
Organic revenue	\$15,240	\$13,940
Organic revenue growth ^(a)	9.3%	

^(a) Organic revenue growth is calculated as the relative change in year-over-year organic revenue, expressed as a percentage of 2017 organic revenue.

Reconciliation of Total Debt to Net Debt to Adjusted EBITDA Ratio (in millions)

	December 31, 2018
Total debt	\$4,269
Less: Cash and cash equivalents	(502)
Net debt	\$3,767
Adjusted EBITDA	\$1,562
Net debt to adjusted EBITDA ratio	2.41

Reconciliation of Transportation Operating Income to Adjusted EBITDA (in millions)

	Years Ended December 31,	
	2018	2017
Operating income	\$646	\$547
Other income (expense)	41	20
Total depreciation and amortization	461	447
EBITDA	\$1,148	\$1,014
Transaction, integration and rebranding costs	13	51
Restructuring costs	12	—
Litigation costs	26	—
Adjusted EBITDA	\$1,199	\$1,065

**XPO Logistics North American Less-Than-Truckload
Adjusted Operating Ratio**
(in millions)

	Years Ended December 31,	
	2018	2017
Revenue (excluding fuel surcharge revenue)	\$3,230	\$3,140
Fuel surcharge revenue	552	455
Revenue	3,782	3,595
Salaries, wages and employee benefits	1,754	1,697
Purchased transportation	400	438
Fuel and fuel-related taxes	293	234
Depreciation and amortization	243	233
Other operating expenses	476	453
Maintenance	102	107
Rents and leases	44	42
Purchased labor	12	14
Operating income	458	377
Operating ratio	87.9%	89.5%
Transaction, integration and rebranding costs	–	19
Restructuring costs	3	–
Amortization expense	33	34
Other income	29	12
Adjusted operating income	\$523	\$442
Adjusted operating ratio	86.2%	87.7%

Non-GAAP Financial Measures

As required by the rules of the Securities and Exchange Commission (“SEC”), we provide reconciliations of the non-GAAP financial measures contained in this proxy statement to the most directly comparable measure under GAAP, which are set forth in the financial tables above.

XPO’s non-GAAP financial measures for the year ended December 31, 2018 used in this proxy statement include: earnings before interest, taxes, depreciation and amortization (“EBITDA”) and adjusted EBITDA on a consolidated basis; free cash flow; adjusted net income attributable to common shareholders and adjusted earnings per share (basic and diluted) (“adjusted EPS”); adjusted operating income and adjusted operating ratio for our North American less-than-truckload business; organic revenue growth on a consolidated; and net debt as of December 31, 2018.

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. Other companies may calculate these non-GAAP financial measures differently, and therefore our measures may not be comparable to similarly titled measures of other companies. These non-GAAP financial measures should only be used as supplemental measures of our operating performance.

Adjusted EBITDA, adjusted net income attributable to common shareholders and adjusted EPS include adjustments for transaction, integration and rebranding costs, restructuring costs, litigation costs for independent contractor matters and the gain on sale of an equity investment. Transaction and integration adjustments are generally incremental costs that result from an actual or planned acquisition and include transaction costs, acquisition and integration consulting fees, internal salaries and wages (to the extent the individuals are assigned full-time to integration and transformation activities) and certain costs related to integrating and converging IT systems. Rebranding adjustments primarily relate to the rebranding of the XPO Logistics name on our truck fleet and buildings. Restructuring costs primarily relate to severance costs associated with business optimization initiatives. Litigation costs refer to settlement and related costs associated with independent contractor claims in our last mile business. The gain on sale of an equity investment relates to the sale of a non-strategic equity ownership interest in a private company. 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.

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 EBITDA and adjusted EBITDA improve 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 core operating activities and thereby assist investors with assessing trends in our underlying businesses. We believe that adjusted net income attributable to common shareholders and adjusted EPS improve the comparability of our operating results from period to period by removing the impact of certain costs and gains that management has determined are not reflective of our core operating activities. We believe that adjusted operating income and adjusted operating ratio for our North American less-than-truckload business improve the comparability of our operating results from period to period by (i) removing the impact of certain transaction, integration, restructuring and rebranding costs and amortization expenses and, (ii) including the impact of pension income incurred in the reporting period as set out in the attached tables. We believe that organic revenue is an important measure because it excludes the impact of the following items: foreign currency exchange rate fluctuations and fuel surcharges.

With respect to our 2019 financial targets for adjusted EBITDA and 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.

ANNEX B - AMENDMENT TO THE XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

XPO LOGISTICS, INC. AMENDMENT NO. 1 TO THE 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

THIS AMENDMENT NO. 1 (this "Amendment") to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, is made and adopted by the Board of Directors (the "Board") of XPO Logistics, Inc., a Delaware corporation (the "Company"), effective as of the Effective Date (as defined below). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Plan (as defined below).

WHEREAS, the Company has previously adopted, and the Company's stockholders have previously approved, the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the "Plan");

WHEREAS, pursuant to Section 7(a) of the Plan, the Board has the authority to amend the Plan, subject to certain limitations;

WHEREAS, the Board believes it is in the best interests of the Company and its stockholders to amend the Plan as set forth herein; and

WHEREAS, this Amendment shall become effective upon the approval of this Amendment by the Company's stockholders at the annual meeting of stockholders held on May 15, 2019 (the date of such approval, the "Effective Date").

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as follows, effective as of the Effective Date:

1. The first sentence of Section 4(a) of the Plan is hereby deleted and replaced in its entirety with the following:
"Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 5,400,000, (the "Plan Share Limit"), of which 3,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the "Plan ISO Limit")."
2. The first sentence of Section 10(b) of the Plan is hereby deleted and replaced in its entirety with the following:
"No Award shall be granted under the Plan after May 15, 2029."
3. The Section 6(i) of the Plan is hereby deleted and replaced in its entirety with the following:
"Dividends and Dividend Equivalents. In the sole and plenary discretion of the Committee, an Award, other than an Option or SAR or a Cash Incentive Award, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on such terms and conditions as may be determined by the Committee in its sole and plenary discretion, including, (i) payment directly to the Participant, or (ii) reinvestment in additional Shares, Restricted Shares or other Awards; provided, however, that no dividend or dividend equivalent may be delivered or paid in respect of an Award prior to the vesting of such Award."
4. The first sentence of Section 6(b)(iii) of the Plan is hereby deleted and replaced with the following:
"Subject to Section 6(j), each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter."
5. The last sentence of Section 6(c)(iii) of the Plan is hereby deleted and replaced with the following:
"Subject to Section 6(j), each SAR shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its discretion, specify in the applicable Award Agreement or thereafter."
6. The Section 6(j) of the Plan is hereby deleted and replaced in its entirety with the following:
"Minimum Vesting Provision. All Awards granted hereunder shall be subject to a designated vesting period of at least one year following the date of grant, except that up to five percent of shares available for grant under the Plan may be granted without regard to this requirement and the Committee may accelerate the vesting with respect to any such Awards."
7. This Amendment shall be and is hereby incorporated into and forms a part of the Plan.
8. Except as expressly provided herein, all terms and conditions of the Plan shall continue in full force and effect.

ANNEX C - XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

SECTION 1. *Purpose.* The purpose of this XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (the “Plan”) is to promote the interests of the Company and its stockholders by (a) attracting and retaining exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of the Company (as defined below) and its Affiliates (as defined below) and (b) enabling such individuals to participate in the long-term growth and financial success of the Company. This Plan is intended to replace the Prior Company Plan and the Prior Con-way Plan (each as defined below and, together, the “Prior Plans”), which Prior Plans shall be frozen with respect to future grants on the Approval Date (as defined below). The Prior Company Plan (as originally adopted and prior to its amendment and restatement in 2012) previously replaced and superseded the Option Plan (as defined below). Notwithstanding the foregoing, any awards granted under the Prior Plans or the Option Plan shall remain in effect pursuant to their respective terms.

SECTION 2. *Definitions.* As used herein, the following terms shall have the meanings set forth below:

“Affiliate” means (a) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company and/or (b) any entity in which the Company has a significant equity interest, in either case, as determined by the Committee.

“Approval Date” means December 20, 2016, the date on which the Plan is approved by the Company’s stockholders.

“Award” means any award that is permitted under SECTION 6 and was granted under the Plan or the Prior Plans and any award that is permitted under Article 6 of the Option Plan and was granted under the Option Plan.

“Award Agreement” means any written or electronic agreement, contract or other instrument or document evidencing any Award, which may (but need not) require execution or acknowledgment by a Participant.

“Applicable Exchange” means the New York Stock Exchange LLC or any other national stock exchange or quotation system on which the Shares may be listed or quoted.

“Board” means the Board of Directors of the Company.

“Cash Incentive Award” means an Award (a) that is granted pursuant to SECTION 6(g) of the Plan, (b) that is settled in cash and (c) the value of which is set by the Committee and is not calculated by reference to the Fair Market Value of Shares.

“Change of Control” shall (a) have the meaning set forth in an Award Agreement; *provided, however*, that except in the case of a transaction described in subparagraph (b)(iii) below, any definition of Change of Control set forth in an Award Agreement shall provide that a Change of Control shall not occur until consummation or effectiveness of a change in control of the Company, rather than upon the announcement, commencement, stockholder approval or other potential occurrence of any event or transaction that, if completed, would result in a change in control of the Company, or (b) if there is no definition set forth in an Award Agreement, mean the occurrence of any of the following events:

(i) during any period, individuals who were directors of the Company on the first day of such period (the “Incumbent Directors”) cease for any reason to constitute a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the first day of such period whose election, or nomination by the Board for election by the Company’s stockholders, was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (including without limitation any settlement thereof);

(ii) the consummation of (A) a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company (each of the events referred to in this clause (A) being hereinafter referred to as a “Reorganization”) or (B) the sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an Affiliate (a “Sale”), in each case, if such Reorganization or Sale requires the approval of the Company’s stockholders under the law of the Company’s jurisdiction of organization (whether such approval is required for such Reorganization or Sale or for the issuance of securities of the Company in such Reorganization or Sale), unless, immediately following such Reorganization or Sale, (1) individuals and entities who were the “beneficial owners” (as such term is defined in Rule 13d-3 under the Exchange Act (or a successor rule thereto)) of the securities eligible to vote for the election of the Board (“Company Voting Securities”) outstanding immediately prior to the consummation of such

Reorganization or Sale continue to beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such Reorganization or Sale (including a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) (the "*Continuing Company*") in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Reorganization or Sale (excluding, for such purposes, any outstanding voting securities of the Continuing Company that such beneficial owners hold immediately following the consummation of the Reorganization or Sale as a result of their ownership prior to such consummation of voting securities of any corporation or other entity involved in or forming part of such Reorganization or Sale other than the Company), (2) no "person" (as such term is used in Section 13(d) of the Exchange Act) (each, a "*Person*") (excluding (x) any employee benefit plan (or related trust) sponsored or maintained by the Continuing Company or any corporation controlled by the Continuing Company and (y) any one or more Specified Stockholders) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding voting securities of the Continuing Company and (3) at least 50% of the members of the board of directors of the Continuing Company (or equivalent body) were Incumbent Directors at the time of the execution of the definitive agreement providing for such Reorganization or Sale or, in the absence of such an agreement, at the time at which approval of the Board was obtained for such Reorganization or Sale;

(iii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company unless such liquidation or dissolution is part of a transaction or series of transactions described in paragraph (ii) above that does not otherwise constitute a Change of Control; or

(iv) any Person, corporation or other entity or "group" (as used in Section 14(d)(2) of the Exchange Act) (other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or an Affiliate, (C) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the voting power of the Company Voting Securities or (D) any one or more Specified Stockholders, including any group in which a Specified Stockholder is a member) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company Voting Securities; *provided, however*, that for purposes of this subparagraph (iv), the following acquisitions shall not constitute a Change of Control: (w) any acquisition directly from the Company, (x) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate, (y) any acquisition by an underwriter temporarily holding such Company Voting Securities pursuant to an offering of such securities or any acquisition by a pledgee of Company Voting Securities holding such securities as collateral or temporarily holding such securities upon foreclosure of the underlying obligation or (z) any acquisition pursuant to a Reorganization or Sale that does not constitute a Change of Control for purposes of subparagraph (ii) above.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and the regulations promulgated thereunder.

"*Committee*" means the Compensation Committee of the Board or a subcommittee thereof, or such other committee of the Board as may be designated by the Board to administer the Plan.

"*Company*" means XPO Logistics, Inc., a corporation organized under the laws of Delaware, together with any successor thereto.

"*Deferred Share Unit*" means a deferred share unit Award that represents an unfunded and unsecured promise to deliver Shares in accordance with the terms of the applicable Award Agreement.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto, and the regulations promulgated thereunder.

"*Exercise Price*" means (a) in the case of each Option, the price specified in the applicable Award Agreement as the price-per-Share at which Shares may be purchased pursuant to such Option or (b) in the case of each SAR, the price specified in the applicable Award Agreement as the reference price-per-Share used to calculate the amount payable to the applicable Participant pursuant to such SAR.

"*Fair Market Value*" means, except as otherwise provided in the applicable Award Agreement, (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (b) with respect to Shares as of any date, (i) the closing per-share sales price of the Shares as reported by the Applicable Exchange for such stock exchange for such date or if there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

"*Incentive Stock Option*" means an option to purchase Shares from the Company that (a) is granted under SECTION 6(b) of the Plan and (b) is intended to qualify for special Federal income tax treatment pursuant to Sections 421 and 422 of the Code, as now constituted or subsequently amended, or pursuant to a successor provision of the Code, and which is so designated in the applicable Award Agreement.

“*Independent Director*” means a member of the Board (a) who is neither an employee of the Company nor an employee of any Affiliate, and (b) who, at the time of acting, is a “Non-Employee Director” under Rule 16b-3.

“*Nonqualified Stock Option*” means an option to purchase Shares from the Company that (a) is granted under SECTION 6(b) of the Plan and (b) is not an Incentive Stock Option.

“*Option*” means an Incentive Stock Option or a Nonqualified Stock Option or both, as the context requires.

“*Option Plan*” means the Express-1 Expedited Solutions, Inc. Amended and Restated 2001 Stock Option Plan.

“*Participant*” means any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or its Affiliates who is eligible for an Award under SECTION 5 and who is selected by the Committee to receive an Award under the Plan or who receives a Substitute Award pursuant to SECTION 4(c).

“*Performance Compensation Award*” means any Award designated by the Committee as a Performance Compensation Award pursuant to SECTION 6(e) of the Plan.

“*Performance Criteria*” means the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award under the Plan.

“*Performance Formula*” means, for a Performance Period, the one or more objective formulas applied against the relevant Performance Goal to determine, with regard to the Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award of a particular Participant, whether all, some portion but less than all, or none of such Award has been earned for the Performance Period.

“*Performance Goal*” means, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria.

“*Performance Period*” means the one or more periods of time as the Committee may select over which the attainment of one or more Performance Goals shall be measured for the purpose of determining a Participant’s right to and the payment of a Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award.

“*Performance Unit*” means an Award under SECTION 6(f) of the Plan that has a value set by the Committee (or that is determined by reference to a valuation formula specified by the Committee or the Fair Market Value of Shares), which value may be paid to the Participant by delivery of such property as the Committee shall determine, including without limitation, cash or Shares, or any combination thereof, upon achievement of such Performance Goals during the relevant Performance Period as the Committee shall establish at the time of such Award or thereafter.

“*Prior Company Plan*” means the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan.

“*Prior Con-way Plan*” means the Con-way Inc. 2012 Equity and Incentive Plan.

“*Restricted Share*” means a Share that is granted under SECTION 6(d) of the Plan that is subject to certain transfer restrictions, forfeiture provisions and/or other terms and conditions specified herein and in the applicable Award Agreement.

“*RSU*” means a restricted stock unit Award that is granted under SECTION 6(d) of the Plan and is designated as such in the applicable Award Agreement and that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property in accordance with the terms of the applicable Award Agreement.

“*Rule 16b-3*” means Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act or any successor rule or regulation thereto as in effect from time to time.

“*SAR*” means a stock appreciation right Award that is granted under SECTION 6(c) of the Plan and that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property equal in value to the excess, if any, of the Fair Market Value per Share over the Exercise Price per Share of the SAR, subject to the terms of the applicable Award Agreement.

“*SEC*” means the Securities and Exchange Commission or any successor thereto and shall include the staff thereof.

“*Shares*” means shares of common stock of the Company, \$0.001 par value, or such other securities of the Company (a) into which such shares shall be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or other similar transaction or (b) as may be determined by the Committee pursuant to SECTION 4(b).

“*Specified Stockholder*” means Bradley S. Jacobs, Jacobs Private Equity LLC and its Affiliates, or any other entity or organization controlled, directly or indirectly, by Bradley S. Jacobs.

“*Subsidiary*” means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

“*Substitute Awards*” shall have the meaning specified in SECTION 4(c).

“*Treasury Regulations*” means all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

SECTION 3. *Administration.*

(a) *Composition of the Committee.* The Plan shall be administered by the Committee, which shall be composed of one or more directors, as determined by the Board; *provided* that, to the extent necessary to comply with the rules of the Applicable Exchange and Rule 16b-3 and to satisfy any applicable requirements of Section 162(m) of the Code and any other applicable laws or rules, the Committee shall be composed of two or more directors, all of whom shall be Independent Directors and all of whom shall (i) qualify as “outside directors” under Section 162(m) of the Code and (ii) meet the independence requirements of the Applicable Exchange.

(b) *Authority of the Committee.* Subject to the terms of the Plan and applicable law, and in addition to the other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have sole and plenary authority to administer the Plan, including the authority to (i) designate Participants, (ii) determine the type or types of Awards to be granted to a Participant, (iii) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, Awards, (iv) determine the terms and conditions of any Awards, (v) determine the vesting schedules of Awards and, if certain performance criteria must be attained in order for an Award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained, (vi) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended, (vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee, (viii) interpret, administer, reconcile any inconsistency in, correct any default in and/or supply any omission in, the Plan and any instrument or agreement relating to, or Award made under, the Plan, the Prior Plans or the Option Plan, (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, (x) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards, (xi) amend an outstanding Award or grant a replacement Award for an Award previously granted under the Plan, the Prior Plans or the Option Plan if, in its sole discretion, the Committee determines that (A) the tax consequences of such Award to the Company or the Participant differ from those consequences that were expected to occur on the date the Award was granted or (B) clarifications or interpretations of, or changes to, tax law or regulations permit Awards to be granted that have more favorable tax consequences than initially anticipated and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) *Committee Decisions.* Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole and plenary discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award and any stockholder.

(d) *Indemnification.* No member of the Board, the Committee or any employee of the Company (each such person, a “*Covered Person*”) shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award. Each Covered Person shall be indemnified and held harmless by the Company from and against (i) any loss, cost, liability or expense (including attorneys’ fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company’s approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; *provided* that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding, and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company’s choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person’s bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company’s Restated Certificate of Incorporation or Amended and Restated Bylaws, in each case, as may be amended from time to time. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company’s Restated Certificate of Incorporation or Amended and Restated Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

(e) *Delegation of Authority to Officers.* The Committee may delegate, on such terms and conditions as it determines in its sole and plenary discretion, to one or more officers of the Company the authority to make grants of Awards to officers (other than any officer subject to Section 16 of the Exchange Act), employees and consultants of the Company

and its Affiliates (including any prospective officer (other than any such officer who is expected to be subject to Section 16 of the Exchange Act), employee or consultant) and all necessary and appropriate decisions and determinations with respect thereto.

(f) *Awards to Independent Directors.* Notwithstanding anything to the contrary contained herein, the Board may, in its sole and plenary discretion, at any time and from time to time, grant Awards to Independent Directors or administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority and responsibility granted to the Committee herein.

SECTION 4. *Shares Available for Awards; Cash Payable Pursuant to Awards.*

(a) *Shares and Cash Available.* Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 3,400,000, (the "*Plan Share Limit*"), of which 3,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the "*Plan ISO Limit*"). If, after the effective date of the Plan, any Award is forfeited (or otherwise expires, terminates or is canceled without the delivery of all Shares subject thereto), then, in any such case, any number of Shares subject to such Award that were not issued with respect to such Award shall not be treated as issued for purposes of reducing the Plan Share Limit. Notwithstanding the foregoing and for the avoidance of doubt, if Shares issued upon exercise, vesting or settlement of an Award are, or Shares owned by a Participant are, surrendered or tendered to the Company in payment of the Exercise Price of an Award (including any SAR) or any taxes required to be withheld in respect of an Award or if any Award based on the Fair Market Value of a Share is settled other than wholly by delivery of Shares (including cash settlement), in any such case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered Shares or Awards not settled with Shares shall *not* again become available to be delivered pursuant to Awards under the Plan or increase the Plan ISO Limit. With respect to Awards that are intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code, subject to adjustment as provided in SECTION 4(b), (1) in the case of Awards that are settled in Shares, the maximum aggregate number of Shares with respect to which Awards may be granted to any Participant in any fiscal year of the Company under the Plan shall be 2,500,000 (such amount, the "*Annual Individual Plan Share Limit*"), and (2) in the case of Awards that are settled in cash based on the Fair Market Value of a Share, the maximum aggregate amount of cash that may be paid pursuant to Awards granted to any Participant in any fiscal year of the Company under the Plan shall be equal to the per-Share Fair Market Value as of the relevant vesting, payment or settlement date multiplied by the Annual Individual Plan Share Limit. In the case of all Awards other than those described in the preceding sentence, the maximum aggregate amount of cash and other property (valued at its Fair Market Value) other than Shares that may be paid or delivered pursuant to Awards under the Plan to any Participant in any fiscal year of the Company shall be equal to \$10,000,000. The maximum value of Shares available to be granted pursuant to Awards to any Independent Director under the Plan in any fiscal year of the Company shall be equal to \$350,000 as of the applicable date of grant. Subject to adjustment as provided in Section 4(b), the maximum number of Shares available to be granted under the Plan pursuant to Incentive Stock Options to any Participant in any fiscal year of the Company shall be equal to 2,500,000 (the "*Annual Individual ISO Limit*").

(b) *Adjustments for Changes in Capitalization and Similar Events.*

(i) In the event of any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off, the Committee shall equitably adjust any or all of (A) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including (1) the Plan Share Limit, (2) the Plan ISO Limit, (3) the Annual Individual Plan Share Limit, and (4) the Annual Individual ISO Limit, and (B) the terms of any outstanding Award, including (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price, if applicable, with respect to any Award; *provided, however,* that the Committee shall determine the method and manner in which to effect such equitable adjustment.

(ii) In the event that the Committee determines that any reorganization, merger, consolidation, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares (including any Change of Control) such that an adjustment is determined by the Committee in its discretion to be appropriate or desirable, then the Committee may (A) in such manner as it may deem appropriate or desirable, equitably adjust any or all of (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including (W) the Plan Share Limit, (X) the Plan ISO Limit, (Y) the Annual Individual Plan Share Limit, and (Z) the Annual Individual ISO Limit, and (2) the terms of any outstanding Award, including (X) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (Y) the Exercise Price, if applicable, with respect to any Award, (B) if deemed appropriate or desirable by the Committee, make provision for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR

in consideration for the cancellation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (C) if deemed appropriate or desirable by the Committee, cancel and terminate any Option or SAR having a per-Share Exercise Price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or SAR without any payment or consideration therefor.

(c) *Substitute Awards.* Awards may, in the discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or any of its Affiliates or a company acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines (“*Substitute Awards*”); *provided, however*, that in no event may any Substitute Award be granted in a manner that would violate the prohibitions on repricing of Options and SARs, as set forth in clauses (i), (ii) and (iii) of SECTION 7(b). The number of Shares underlying any Substitute Awards shall be counted against the Plan Share Limit; *provided, however*, that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding awards previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall not be counted against the Plan Share Limit; *provided further, however*, that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding stock options intended to qualify for special tax treatment under Sections 421 and 422 of the Code that were previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall be counted against the maximum aggregate number of Shares available for Incentive Stock Options under the Plan.

(d) *Sources of Shares Deliverable Under Awards.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

SECTION 5. *Eligibility.* Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or any of its Affiliates shall be eligible to be designated a Participant.

SECTION 6. *Awards.*

(a) *Types of Awards.* Awards may be made under the Plan in the form of (i) Options, (ii) SARs, (iii) Restricted Shares, (iv) RSUs, (v) Deferred Share Units, (vi) Performance Compensation Awards, (vii) Performance Units (viii) Cash Incentive Awards and (ix) other equity-based or equity-related Awards that the Committee determines are consistent with the purpose of the Plan and the interests of the Company. Awards may be granted in tandem with other Awards. No Incentive Stock Option (other than an Incentive Stock Option that may be assumed or issued by the Company in connection with a transaction to which Section 424(a) of the Code applies) may be granted to a person who is ineligible to receive an Incentive Stock Option under the Code.

(b) *Options.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom Options shall be granted, (B) subject to SECTION 4(a), the number of Shares subject to each Option to be granted to each Participant, (C) whether each Option shall be an Incentive Stock Option or a Nonqualified Stock Option and (D) the terms and conditions of each Option, including the vesting criteria, term, methods of exercise and methods and form of settlement. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code and any regulations related thereto, as may be amended from time to time. Each Option granted under the Plan shall be a Nonqualified Stock Option unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. If an Option is intended to be an Incentive Stock Option, and if, for any reason, such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan; *provided* that such Option (or portion thereof) otherwise complies with the Plan’s requirements relating to Nonqualified Stock Options.

(ii) *Exercise Price.* The Exercise Price of each Share covered by each Option shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the Option is granted); *provided, however*, in the case of each Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Affiliate, the per-Share Exercise Price shall be no less than 110% of the Fair Market Value per Share on the date of the grant. Each Option is, unless otherwise specified by the Committee, intended to qualify as “qualified performance-based compensation” under Section 162(m) of the Code.

(iii) *Vesting and Exercise.* Each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter. Except as otherwise specified by the Committee in the applicable Award Agreement, each Option may only be exercised to the extent that it has already vested at the time of exercise. Each Option shall be deemed to be exercised when written or electronic notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment

pursuant to SECTION 6(b)(iv) for the Shares with respect to which the Award is exercised has been received by the Company. Exercise of each Option in any manner shall result in a decrease in the number of Shares that thereafter may be available for sale under the Option and, except as expressly set forth in SECTION 4(a) and SECTION 4(c), in the number of Shares that may be available for purposes of the Plan, by the number of Shares as to which the Option is exercised. The Committee may impose such conditions with respect to the exercise of each Option, including any conditions relating to the application of Federal or state securities laws, as it may deem necessary or advisable.

(iv) *Payment.*

(A) No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate Exercise Price therefor is received by the Company, and the Participant has paid to the Company (or the Company has withheld in accordance with SECTION 9(d)) an amount equal to any Federal, state, local and foreign income and employment taxes required to be withheld. Such payments may be made in cash (or its equivalent) or, in the Committee's sole and plenary discretion, (1) by exchanging Shares owned by the Participant (which are not the subject of any pledge or other security interest), (2) if there shall be a public market for the Shares at such time, subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise of the Option and to deliver cash promptly to the Company, (3) by having the Company withhold Shares from the Shares otherwise issuable pursuant to the exercise of the Option or (4) through any other method (or combination of methods) as approved by the Committee; *provided* that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company, together with any Shares withheld by the Company in accordance with this SECTION 6(b)(iv) or SECTION 9(d), as of the date of such tender, is at least equal to such aggregate Exercise Price and the amount of any Federal, state, local or foreign income or employment taxes required to be withheld, if applicable.

(B) Wherever in the Plan or any Award Agreement a Participant is permitted to pay the Exercise Price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

(v) *Expiration.* Except as otherwise set forth in the applicable Award Agreement, each Option shall expire immediately, without any payment, upon the earlier of (A) the tenth anniversary of the date the Option is granted (or, in the case of each Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Affiliate, the fifth anniversary of the date the Option is granted) and (B) three months after the date the Participant who is holding the Option ceases to be a director, officer, employee or consultant of the Company or one of its Affiliates. In no event may an Option be exercisable after the tenth anniversary of the date the Option is granted.

(c) *SARs.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom SARs shall be granted, (B) subject to SECTION 4(a), the number of SARs to be granted to each Participant, (C) the Exercise Price thereof and (D) the conditions and limitations applicable to the exercise thereof.

(ii) *Exercise Price.* The Exercise Price of each Share covered by a SAR shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the SAR is granted). Each SAR is, unless otherwise specified by the Committee, intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code.

(iii) *Vesting and Exercise.* Each SAR shall entitle the Participant to receive an amount upon exercise equal to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the Exercise Price thereof. The Committee shall determine, in its sole and plenary discretion, whether a SAR shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing. Each SAR shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its discretion, specify in the applicable Award Agreement or thereafter.

(iv) *Other Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR; *provided, however*, that in no event may any SAR be exercisable after the tenth anniversary of the date the SAR is granted. Any determination by the Committee that is made pursuant to this SECTION 6(c)(iv) may be changed by the Committee from time to time and may govern the exercise of SARs granted or exercised thereafter.

(v) *Substitution SARs.* The Committee shall have the ability to substitute, without the consent of the affected Participant or any holder or beneficiary of SARs, SARs settled in Shares (or SARs settled in Shares or cash in the Committee's discretion) ("*Substitution SARs*") for outstanding Nonqualified Stock Options ("*Substituted Options*"); *provided* that (A) the substitution shall not otherwise result in a modification of the terms of any Substituted Option, (B) the number of Shares underlying the Substitution SARs shall be the same as the number of Shares underlying the Substituted Options and (C) the Exercise Price of the Substitution SARs shall be equal to the Exercise Price of the Substituted Options. If, in the opinion of the Company's auditors, this provision creates adverse accounting consequences for the Company, it shall be considered null and void.

(vi) *Expiration.* Except as otherwise set forth in the applicable Award Agreement, each SAR shall expire immediately, without any payment, upon the earlier of (A) the tenth anniversary of the date the SAR is granted and (B) three months after the date the Participant who is holding the SAR ceases to be a director, officer, employee or consultant of the Company or one of its Affiliates. In no event may a SAR be exercisable after the tenth anniversary of the date the SAR is granted.

(d) *Restricted Shares and RSUs.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom Restricted Shares and RSUs shall be granted, (B) subject to SECTION 4(a), the number of Restricted Shares and RSUs to be granted to each Participant, (C) the duration of the period during which, and the conditions, if any, under which, the Restricted Shares and RSUs may vest or may be forfeited to the Company and (D) the terms and conditions of each such Award, including the vesting criteria, term, methods of exercise and methods and form of settlement.

(ii) *Transfer Restrictions.* Restricted Shares and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or as may be provided in the applicable Award Agreement; *provided, however*, that the Committee may in its discretion, determine that Restricted Shares and RSUs may be transferred by the Participant for no consideration. Each Restricted Share may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the applicable Participant, such certificates must bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of such certificates until such time as all applicable restrictions lapse.

(iii) *Payment/Lapse of Restrictions.* Each RSU shall be granted with respect to a specified number of Shares (or a number of Shares determined pursuant to a specified formula) or shall have a value equal to the Fair Market Value of a specified number of Shares (or a number of Shares determined pursuant to a specified formula). RSUs shall be paid in cash, Shares, other securities, other Awards or other property, as determined in the sole and plenary discretion of the Committee, upon the lapse of restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement. If a Restricted Share or an RSU is intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code, unless the grant of such Restricted Share or RSU is contingent on satisfaction of the requirements for the payment of "qualified performance-based compensation" under Section 162(m) of the Code (whether pursuant to SECTION 6(e) of this Plan or any other plan), all requirements set forth in SECTION 6(e) must be satisfied in order for the restrictions applicable thereto to lapse.

(e) *Performance Compensation Awards.*

(i) *General.* The Committee shall have the authority, at the time of grant of any Award, to designate such Award (other than an Option or SAR) as a Performance Compensation Award in order for such Award to qualify as "qualified performance-based compensation" under Section 162(m) of the Code. Options and SARs granted under the Plan shall not be included among Awards that are designated as Performance Compensation Awards under this SECTION 6(e).

(ii) *Eligibility.* The Committee shall, in its sole discretion, designate within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) which Participants shall be eligible to receive Performance Compensation Awards in respect of such Performance Period. However, designation of a Participant as eligible to receive an Award hereunder for a Performance Period shall not in any manner entitle such Participant to receive payment in respect of any Performance Compensation Award for such Performance Period. The determination as to whether or not such Participant becomes entitled to payment in respect of any Performance Compensation Award shall be decided solely in accordance with the provisions of this SECTION 6(e). Moreover, designation of a Participant as eligible to receive an Award hereunder for a particular Performance Period shall not require designation of such Participant as eligible to receive an Award hereunder in any subsequent Performance Period and designation of one person as a Participant eligible to receive an Award hereunder shall not require designation of any other person as a Participant eligible to receive an Award hereunder in such period or in any other period.

(iii) *Discretion of the Committee with Respect to Performance Compensation Awards.* With regard to a particular Performance Period, the Committee shall have discretion to select (A) the length of such Performance Period, (B) the type(s) of Performance Compensation Awards to be issued, (C) the Performance Criteria that shall be used to establish the Performance Goal(s), (D) the kind(s) and/or level(s) of the Performance Goal(s) that is (are) to apply to the Company or any of its Subsidiaries, Affiliates, divisions or operational units, or any combination of the foregoing, and (E) the Performance Formula; *provided* that any such Performance Formula shall be objective and non-discretionary. Within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence and record the same in writing.

(iv) *Performance Criteria.* Notwithstanding the foregoing, the Performance Criteria that shall be used to establish the Performance Goal(s) with respect to Performance Compensation Awards shall be based on the attainment of specific levels of performance of the Company or any of its Subsidiaries, Affiliates, divisions or operational units, or any combination of the foregoing, and shall be limited to the following (whether per share or otherwise): (A) share price, (B) net income, earnings or earnings before or after taxes (including earnings before interest and taxes (“*EBIT*”) or earnings before interest, taxes, depreciation and amortization (“*EBITDA*”)) including, in each case, for the avoidance of doubt, on an adjusted basis, (C) operating income, profit, operating profit or economic profit, (D) capital efficiency, (E) cash flow (including specified types or categories thereof including, but not limited to, operating cash flow and free cash flow), (F) cash flow return on capital, (G) revenues (including specified types or categories thereof), (H) return on stockholders’ equity, (I) return on investment or capital, (J) return on assets, (K) gross or net profitability/profit margins, (L) objective measures of productivity or operating efficiency, (M) costs (including specified types or categories thereof), (N) budgeted expenses (operating and capital), (O) market share (in the aggregate or by segment), (P) level or amount of acquisitions (in terms of size, number of transactions or otherwise), (Q) economic value-added, (R), enterprise value, (S) book value, (T) working capital, (U) safety and accident rates, (V) days sales outstanding, (W) customer satisfaction, (X) overall or selected premium or sales, (Y) expense ratio, (Z) gross or unit margin, and (AA) total stockholder return. Such Performance Criteria may be applied on an absolute basis, be relative to one or more peer companies of the Company or indices or any combination thereof or, if applicable, be computed on an accrual or cash accounting basis. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of the applicable Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code), define in an objective manner the method of calculating the Performance Criteria it selects to use for such Performance Period.

(v) *Modification of Performance Goals.* The Committee is authorized to adjust or modify the calculation of a Performance Goal for a Performance Period to the extent permitted under Section 162(m) of the Code (A) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development affecting the Company, or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal) or (B) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal), or the financial statements of the Company or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal), or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles, law or business conditions.

(vi) *Payment of Performance Compensation Awards.*

(A) *Condition to Receipt of Payment.* A Participant must be employed by the Company or one of its Subsidiaries on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period. Notwithstanding the foregoing and to the extent permitted by Section 162(m) of the Code, in the discretion of the Committee, Performance Compensation Awards may be paid to Participants who have retired or whose employment has terminated prior to the last day of the Performance Period for which a Performance Compensation Award is made, or to the designee or estate of a Participant who died prior to the last day of a Performance Period.

(B) *Limitation.* Except as otherwise permitted by Section 162(m) of the Code, a Participant shall be eligible to receive payments in respect of a Performance Compensation Award only to the extent that (1) the Performance Goal(s) for the relevant Performance Period are achieved and certified by the Committee in accordance with SECTION 6(e)(vi)(C) and (2) the Performance Formula as applied against such Performance Goal(s) determines that all or some portion of such Participant’s Performance Compensation Award has been earned for such Performance Period.

(C) *Certification.* Following the completion of a Performance Period, the Committee shall certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to calculate and certify in writing that amount of the Performance Compensation Awards earned for the period based upon the objective Performance Formula. The Committee shall then determine the actual amount of each

Participant's Performance Compensation Award for the Performance Period and, in so doing, may apply negative discretion as authorized by SECTION 6(e)(vi)(D).

(D) *Negative Discretion.* In determining the actual amount of an individual Performance Compensation Award for a Performance Period, the Committee may, in its sole and plenary discretion, reduce or eliminate the amount of the Award earned in the Performance Period, even if applicable Performance Goals have been attained and without regard to any employment agreement between the Company and a Participant.

(E) *Discretion.* Except as otherwise permitted by Section 162(m) of the Code, in no event shall any discretionary authority granted to the Committee by the Plan be used to (1) grant or provide payment in respect of Performance Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained, (2) increase a Performance Compensation Award for any Participant at any time after the first 90 days of the Performance Period (or, if shorter, the maximum period allowed under Section 162(m) of the Code) or (3) increase the amount of a Performance Compensation Award above the maximum amount payable under SECTION 4(a) of the Plan. For the avoidance of doubt, the provisions of this Section 6(e), including without limitation this Section 6(e)(vi)(E), shall only apply to Awards (other than Options or SARs) that the Committee intends to qualify as "qualified performance-based compensation" under Section 162(m) of the Code.

(F) *Form of Payment.* In the case of any Performance Compensation Award other than a Restricted Share, RSU or other equity-based Award that is subject to performance-based vesting conditions, such Performance Compensation Award shall be payable, in the discretion of the Committee, in cash or in Restricted Shares, RSUs or fully vested Shares of equivalent value and shall be paid on such terms as determined by the Committee in its discretion. Any Restricted Shares and RSUs shall be subject to the terms of this Plan (or any successor equity-compensation plan) and any applicable Award Agreement. The number of Restricted Shares, RSUs or Shares that is equivalent in value to a dollar amount shall be determined in accordance with a methodology specified by the Committee within the first 90 days of the relevant Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code).

(f) *Performance Units.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom Performance Units shall be granted.

(ii) *Value of Performance Units.* Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met during a Performance Period, will determine in accordance with SECTION 4(a) the number and/or value of Performance Units that will be paid out to the Participant.

(iii) *Earning of Performance Units.* Subject to the provisions of the Plan, after the applicable Performance Period has ended, the holder of Performance Units shall be entitled to receive a payout of the number and value of Performance Units earned by the Participant over the Performance Period, to be determined by the Committee, in its sole and plenary discretion, as a function of the extent to which the corresponding Performance Goals have been achieved.

(iv) *Form and Timing of Payment of Performance Units.* Subject to the provisions of the Plan, the Committee, in its sole and plenary discretion, may pay earned Performance Units in the form of cash or in Shares (or in a combination thereof) that have an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable Performance Period. Such Shares may be granted subject to any restrictions in the applicable Award Agreement deemed appropriate by the Committee. The determination of the Committee with respect to the form and timing of payout of such Awards shall be set forth in the applicable Award Agreement. If a Performance Unit is intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code, all requirements set forth in SECTION 6(e) must be satisfied in order for a Participant to be entitled to payment.

(g) *Cash Incentive Awards.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee, in its sole and plenary discretion, shall have the authority to determine (A) the Participants to whom Cash Incentive Awards shall be granted, (B) subject to SECTION 4(a), the number of Cash Incentive Awards to be granted to each Participant, (C) the duration of the period during which, and the conditions, if any, under which, the Cash Incentive Awards may vest or may be forfeited to the Company and (D) the other terms and conditions of the Cash Incentive Awards. Each Cash Incentive Award shall have an initial value that is established by the Committee at the time of grant. The Committee shall set performance goals or other payment conditions in its discretion, which, depending on the extent to which they are met during a specified performance period, shall determine the number and/or value of Cash Incentive Awards that shall be paid to the Participant.

(ii) *Earning of Cash Incentive Awards.* Subject to the provisions of the Plan, after the applicable vesting period has ended, the holder of Cash Incentive Awards shall be entitled to receive a payout of the number and value of Cash Incentive Awards earned by the Participant over the specified performance period, to be determined by the Committee, in its sole and plenary discretion, as a function of the extent to which the corresponding performance goals or other conditions to payment have been achieved.

(iii) *Payment.* If a Cash Incentive Award is intended to qualify as “qualified performance-based compensation” under Section 162(m) of the Code, all requirements set forth in SECTION 6(e) must be satisfied in order for a Participant to be entitled to payment.

(h) *Other Stock-Based Awards.* Subject to the provisions of the Plan, the Committee shall have the sole and plenary authority to grant to Participants other equity-based or equity-related Awards (including, but not limited to, Deferred Share Units and fully vested Shares) (whether payable in cash, equity or otherwise) in such amounts and subject to such terms and conditions as the Committee shall determine; *provided* that any such Awards must comply, to the extent deemed desirable by the Committee, with Rule 16b-3 and applicable law.

(i) *Dividends and Dividend Equivalents.* In the sole and plenary discretion of the Committee, an Award, other than an Option or SAR or a Cash Incentive Award, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Committee in its sole and plenary discretion, including, (i) payment directly to the Participant, (ii) withholding of such amounts by the Company subject to vesting of the Award or (iii) reinvestment in additional Shares, Restricted Shares or other Awards.

(j) *Minimum Vesting Provision.* Subject to the terms of the Plan and any applicable Award Agreement, all Awards granted hereunder other than SARs, Options or Cash Incentive Awards are subject to a vesting period of at least three years following the date of grant, except that (1) a vesting period of at least one year following the date of grant is permissible if vesting is conditioned upon the achievement of performance goals, (2) any award may vest in part prior to the expiration of any vesting period (except that in no event will any portion of such awards vest prior to the first anniversary of the date of grant), and (3) up to five percent of shares available for grant under the Plan may be granted without regard to these requirements and the Committee may accelerate the vesting with respect to any such awards.

SECTION 7. *Amendment and Termination.*

(a) *Amendments to the Plan.* Subject to any applicable law or government regulation, to any requirement that must be satisfied if the Plan is intended to be a stockholder-approved plan for purposes of Section 162(m) of the Code and to the rules of the Applicable Exchange, the Plan may be amended, modified or terminated by the Board without the approval of the stockholders of the Company, except that stockholder approval shall be required for any amendment that would (i) increase the Plan Share Limit or the Plan ISO Limit, (ii) change the class of employees or other individuals eligible to participate in the Plan, (iii) constitute a material increase in the benefits to be provided to eligible employees within the meaning of the New York Stock Exchange rules as of the date hereof, or (iv) result in the amendment, cancellation or action described in clause (i), (ii) or (iii) of the second sentence of SECTION 7(b) being permitted without approval by the Company’s stockholders; *provided, however*, that any adjustment under SECTION 4(b) shall not constitute an increase for purposes of SECTION 7(a)(i). No amendment, modification or termination of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted, materially and adversely affect the rights of such Participant (or his or her transferee) under such Award, unless otherwise provided by the Committee in the applicable Award Agreement.

(b) *Amendments to Awards.* The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any Award theretofore granted, prospectively or retroactively;

provided, however, that, except as set forth in the Plan, unless otherwise provided by the Committee in the applicable Award Agreement, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the applicable Participant, holder or beneficiary. Notwithstanding the preceding sentence, in no event may any Option or SAR (i) be amended to decrease the Exercise Price thereof, (ii) be cancelled at a time when its Exercise Price exceeds the Fair Market Value of the underlying Shares in exchange for another Option or SAR or any Restricted Share, RSU, other equity-based Award, award under any other equity-compensation plan or any cash payment or (iii) be subject to any action that would be treated, for accounting purposes, as a “repricing” of such Option or SAR, unless such amendment, cancellation or action is approved by the Company’s stockholders. For the avoidance of doubt, an adjustment to the Exercise Price of an Option or SAR that is made in accordance with SECTION 4(b) or SECTION 8 shall not be considered a reduction in Exercise Price or “repricing” of such Option or SAR.

(c) *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* Subject to SECTION 6(e)(v) and the final sentence of SECTION 7(b), the Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including,

without limitation, the events described in SECTION 4(b) or the occurrence of a Change of Control) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law (i) whenever the Committee, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event, (ii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by providing for a cash payment to the holder of an Award in consideration for the cancelation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancelation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (iii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by canceling and terminating any Option or SAR having a per-Share Exercise Price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or SAR without any payment or consideration therefor.

SECTION 8. *Change of Control.*

(a) *General.* The provisions of this Section 8 shall, subject to Section 4(b), apply notwithstanding any other provision of the Plan to the contrary, except to the extent the Committee specifically provides otherwise in an Award Agreement.

(b) *Impact of Change of Control.* Upon the occurrence of a Change of Control, except as otherwise provided in Section 8(e), each Award shall be replaced pursuant to Section 4(b) with an award that meets the requirements of this Section 8(b) (any award meeting the requirements of this Section 8(b), a “*Replacement Award*” and any award intended to be replaced by a Replacement Award, a “*Replaced Award*”). An Award shall meet the conditions of this Section 8(b) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value equal to the value of the Replaced Award as of the date of the Change of Control; (iii) if the underlying Replaced Award was an equity-based award, it relates to publicly traded equity securities of the Company or the entity surviving the Company following the Change of Control; (iv) it contains terms relating to vesting (including with respect to a termination of employment or service) that are substantially identical to those of the Replaced Award; and (v) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change of Control) as of the date of the Change of Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the applicable Replaced Award if the requirements of the preceding sentence are satisfied. If a Replacement Award is granted, the Replaced Award shall not vest upon the Change of Control. The determination whether the conditions of this Section 8(b) are satisfied shall be made by the Committee, as constituted immediately before the Change of Control, in its sole discretion.

(c) *Termination of Employment.* Upon a termination of employment or service of a Participant occurring upon or during the two years immediately following the date of a Change of Control by reason of death, disability, by the Company without Cause (as defined in Section 8(d)), or, only to the extent specified in an Award Agreement, by the Participant for “*Good Reason*” (as defined in Section 8(d)), (i) all Replacement Awards held by such Participant shall vest in full, be free of restrictions, and be earned in an amount equal to the full value of such Replacement Award, and (ii) unless otherwise provided in the applicable Award Agreement, notwithstanding any other provision of the Plan to the contrary, any Option or SAR held by the Participant as of the date of the Change of Control that remains outstanding as of the date of such termination of employment or service may thereafter be exercised, until (A) in the case of Incentive Stock Options, the last date on which such Incentive Stock Options would be exercisable in the absence of this Section 8(c), and (B) in the case of Nonqualified Stock Options and SARs, the later of (x) the last date on which such Nonqualified Stock Option or SAR would be exercisable upon the relevant termination of employment in the absence of this Section 8(c) and (y) the earlier of (1) the first anniversary of such termination of employment or service and (2) expiration of the term of such Nonqualified Stock Option or SAR.

(d) *Definitions.* The following terms shall have the following meanings for purposes of this Section 8 only:

(j) Unless otherwise determined by the Committee and set forth in an applicable Award Agreement, “*Cause*” shall mean (A) the Participant’s dereliction of duties or gross negligence or failure to perform his duties or refusal to follow any lawful directive of the officer to whom he reports; (B) the Participant’s abuse of or dependency on alcohol or drugs (illicit or otherwise) that adversely affects his performance of duties for the Company; (C) the Participant’s commission of any fraud, embezzlement, theft or dishonesty or any deliberate misappropriation of money or other assets of the Company; (D) the Participant’s breach of any fiduciary duties of the Company; (E) any act, or failure to act, by the Participant in bad faith to the detriment of the Company; (F) the Participant’s failure to cooperate in good faith with a governmental or internal investigation of the Company or any of its directors, managers, officers or employees, if the Company requests the Participant’s cooperation; (G) the Participant’s failure to follow Company policies, including the Company’s code of conduct and/or ethics policy, as may be in effect from time to time; or (H) the Participant’s conviction of, or plea of nolo contendere to, a felony or any serious crime; *provided* that in cases where cure is possible, the Participant shall first be provided with a 15-day cure period.

(e) (ii) Unless otherwise determined by the Committee and set forth in an applicable Award Agreement, “*Good Reason*” shall mean (A) a material breach by the Company of the Participant’s applicable Award Agreement or (B) a reduction in the Participant’s base salary; *provided* that the Company shall first be provided with a 30-day cure period following receipt of written notice from the Participant setting forth in reasonable detail the specific conduct of the Company that is alleged to constitute Good Reason, to cease and to cure, any conduct specified in such written notice; *provided, further*, that such notice shall be provided to the Company within 45 days of the occurrence of the conduct alleged to constitute Good Reason and if, at the end of the cure period, the circumstance alleged to constitute Good Reason has not been remedied the Participant will be entitled to terminate his employment for Good Reason during the 30-day period that follows the end of the cure period. If the Participant does not terminate employment or service during such 30-day period, he will not be permitted to terminate his employment for Good Reason as a result of such event or condition.

(f) *Awards not Replaced.* Notwithstanding the foregoing, unless otherwise provided in the applicable Award Agreement, in the event that an Award shall not be replaced pursuant to Section 4(b) with a Replacement Award meeting the requirements of Section 8(b), any such Award that is (i) an outstanding Option or SAR then held by a Participant that is unexercisable or otherwise unvested shall automatically become exercisable or otherwise vested, as the case may be, as of immediately prior to the Change of Control, (ii) a Performance Unit, Cash Incentive Award or Award designated as a Performance Compensation Award shall be paid out as if the date of the Change of Control were the last day of the applicable Performance Period and “target” performance levels had been attained and (iii) not described in clause (i) or (ii) of this Section 8(e) then held by a Participant that is unexercisable, unvested or still subject to restrictions or forfeiture, shall automatically be exercisable and vested and all restrictions and forfeiture provisions related thereto shall lapse as of immediately prior to such Change of Control. Notwithstanding the foregoing, if any Award is subject to Section 409A of the Code, this Section 8 shall be applicable only to the extent specifically provided in the Award Agreement and permitted pursuant to Section 11(e). Nothing in this Section 8 shall preclude the Company from settling upon a Change of Control an Award if it is not replaced by a Replacement Award, to the extent effectuated in accordance with Treas. Reg. § 1.409A-3(j)(ix).

SECTION 9. *General Provisions.*

(a) *Nontransferability.* Except as otherwise specified in the applicable Award Agreement, during the Participant’s lifetime each Award (and any rights and obligations thereunder) shall be exercisable only by the Participant, or, if permissible under applicable law, by the Participant’s legal guardian or representative, and no Award (or any rights and obligations thereunder) may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; *provided* that (i) the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance and (ii) the Board or the Committee may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability; *provided, however*, that Incentive Stock Options shall not be transferable in any way that would violate Section 1.422-2(a)(2) of the Treasury Regulations and in no event may any Award (or any rights and obligations thereunder) be transferred in any way in exchange for value. All terms and conditions of the Plan and all Award Agreements shall be binding upon any permitted successors and assigns.

(b) *No Rights to Awards.* No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee’s determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

(c) *Share Certificates.* All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, the Applicable Exchange and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Withholding.*

(i) *Authority to Withhold.* A Participant may be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such taxes.

(ii) *Alternative Ways to Satisfy Withholding Liability.* Without limiting the generality of clause (i) above, subject to the Committee’s discretion, a Participant may satisfy, in whole or in part, the foregoing withholding liability by delivery

of Shares owned by the Participant (which are not subject to any pledge or other security interest) having a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of Shares otherwise issuable pursuant to the exercise of the Option or SAR, or the lapse of the restrictions on any other Award (in the case of SARs and other Awards, if such SARs and other Awards are settled in Shares), a number of Shares having a Fair Market Value equal to such withholding liability.

(e) *Section 409A.*

(i) It is intended that the provisions of the Plan comply with Section 409A of the Code, and all provisions of the Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Each payment under any Award shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award.

(ii) No Participant or the creditors or beneficiaries of a Participant shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under the Plan to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to any Participant or for the benefit of any Participant under the Plan may not be reduced by, or offset against, any amount owing by any such Participant to the Company or any of its Affiliates.

(iii) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (A) such Participant shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (B) the Company shall make a good faith determination that an amount payable pursuant to an Award constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it on the first business day after such six-month period. Such amount shall be paid without interest, unless otherwise determined by the Committee, in its sole discretion, or as otherwise provided in any applicable employment agreement between the Company and the relevant Participant.

(iv) Notwithstanding any provision of the Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to any Award as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on such Participant or for such Participant's account in connection with an Award (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its Affiliates shall have any obligation to indemnify or otherwise hold such Participant harmless from any or all of such taxes or penalties.

(f) *Award Agreements.* Each Award hereunder shall be evidenced by an Award Agreement, which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including the effect on such Award of the death, disability or termination of employment or service of a Participant and the effect, if any, of such other events as may be determined by the Committee.

(g) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, shares, other types of equity-based awards (subject to stockholder approval if such approval is required) and cash incentive awards, and such arrangements may be either generally applicable or applicable only in specific cases.

(h) *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained as a director, officer, employee or consultant of or to the Company or any Affiliate, nor shall it provide a Participant with any rights to continued service on the Board. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or discontinue any directorship or consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(i) *No Rights as a Stockholder.* No Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. In connection with each grant of Restricted Shares, except as provided in the applicable Award Agreement, the Participant shall be entitled to the rights of a stockholder (including the right to vote) in respect of such Restricted Shares. Except as otherwise provided in SECTION 4(b), SECTION 7(c) or the applicable Award Agreement, no adjustments shall be made for dividends or distributions on (whether ordinary or extraordinary, and whether in cash, Shares, other securities or other property), or other events relating to, Shares subject to an Award for which the record date is prior to the date such Shares are delivered.

(j) *Governing Law.* The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

(k) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(l) *Other Laws; Restrictions on Transfer of Shares.* The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole and plenary discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole and plenary discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the Federal and any other applicable securities laws.

(m) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate, on one hand, and a Participant or any other Person, on the other. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or such Affiliate.

(n) *Recoupment of Awards.* Any Award Agreement may provide for recoupment by the Company of all or any portion of an Award if the Company's financial statements are required to be restated due to noncompliance with any financial reporting requirement under the Federal securities laws or as otherwise determined by the Committee. This SECTION 9(n) shall not be the Company's exclusive remedy with respect to such matters.

(o) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(p) *Requirement of Consent and Notification of Election Under Section 83(b) of the Code or Similar Provision.* No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code) or under a similar provision of law may be made unless expressly permitted by the terms of the applicable Award Agreement or by action of the Committee in writing prior to the making of such election. If an Award recipient, in connection with the acquisition of Shares under the Plan or otherwise, is expressly permitted under the terms of the applicable Award Agreement or by such Committee action to make such an election and the Participant makes the election, the Participant shall notify the Committee of such election within ten days of filing notice of the election with the Internal Revenue Service (or any successor thereto) or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code or any other applicable provision.

(q) *Requirement of Notification Upon Disqualifying Disposition Under Section 421(b) of the Code.* If any Participant shall make any disposition of Shares delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions) or any successor provision of the Code, such Participant shall notify the Company of such disposition within ten days of such disposition.

(r) *Headings and Construction.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof. Whenever the words "include", "includes" or "including" are used in this Plan, they shall be deemed to be followed by the words "but not limited to".

SECTION 10. *Term of the Plan.*

(a) *Effective Date.* The Plan shall be effective as of the Approval Date.

(b) *Expiration Date.* No Award shall be granted under the Plan after the tenth anniversary of the Approval Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award, shall nevertheless continue thereafter.

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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, 2018

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

XPOLogistics

XPO Logistics, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

Five American Lane
Greenwich, CT

(Address of principal executive offices)

03-0450326

(I.R.S. Employer
Identification No.)

06831

(Zip Code)

(855) 976-6951

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:

Common Stock, par value \$.001 per share

Name of Each Exchange on Which Registered:

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 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 every Interactive Data File required to be submitted 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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 held by non-affiliates of the registrant was \$12.0 billion as of June 30, 2018, based upon the closing price of the common stock on that date.

As of February 8, 2019, there were 109,194,970 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 2019 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.
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

PART I		Page No.
Item 1	<u>Business</u>	<u>4</u>
Item 1A	<u>Risk Factors</u>	<u>15</u>
Item 1B	<u>Unresolved Staff Comments</u>	<u>27</u>
Item 2	<u>Properties</u>	<u>27</u>
Item 3	<u>Legal Proceedings</u>	<u>27</u>
Item 4	<u>Mine Safety Disclosures</u>	<u>27</u>
PART II		
Item 5	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>28</u>
Item 6	<u>Selected Financial Data</u>	<u>30</u>
Item 7	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
Item 7A	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>45</u>
Item 8	<u>Financial Statements and Supplementary Data</u>	<u>48</u>
Item 9	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>98</u>
Item 9A	<u>Controls and Procedures</u>	<u>98</u>
Item 9B	<u>Other Information</u>	<u>98</u>
PART III		
Item 10	<u>Directors, Executive Officers and Corporate Governance</u>	<u>99</u>
Item 11	<u>Executive Compensation</u>	<u>99</u>
Item 12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>99</u>
Item 13	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>99</u>
Item 14	<u>Principal Accounting Fees and Services</u>	<u>99</u>
PART IV		
Item 15	<u>Exhibits, Financial Statement Schedules</u>	<u>100</u>
Item 16	<u>Form 10-K Summary</u>	<u>105</u>
	<u>Signatures</u>	<u>106</u>

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,” “trajectory” 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 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,” “XPO Logistics,” 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 our customers manage their goods most efficiently through their supply chains. Our revenue derives from a mix of key verticals, such as retail and e-commerce, food and beverage, consumer packaged goods and industrial. As of December 31, 2018, we operated with more than 100,000 employees and 1,535 locations in 32 countries and served over 50,000 customers.

We run our business on a global basis, with two reporting segments: Transportation and Logistics. In 2018, approximately 65% of our revenue came from Transportation; the other 35% came from Logistics. Within each segment, we have robust service offerings that are positioned to capitalize on fast-growing areas of customer demand. Substantially all of our services operate under the single brand of XPO Logistics.

Transportation Segment

We offer customers an unmatched transportation network of multiple modes, flexible capacity and route density to transport freight quickly and cost effectively from origin to destination. Our scale and service range are significant advantages — both for XPO, as competitive differentiators, and for our customers, who depend on us to provide reliable capacity under all market conditions.

Within our Transportation segment, as of December 31, 2018, our largest service offerings were freight brokerage and truckload, and less-than-truckload (“LTL”), which contributed 27% and 28%, respectively, to our consolidated revenue in 2018. By comparison, in 2017, freight brokerage and truckload and LTL contributed approximately 27%

and 29%, respectively, to our consolidated revenue. In 2016, freight brokerage and truckload and LTL contributed approximately 25% and 29%, respectively, to our consolidated revenue.

Globally, we are the second largest freight brokerage provider, and a top five provider of managed transportation based on the value of freight under management. Many of our transportation services hold market-leading positions in North America and Europe. In North America, we are the largest provider of last mile logistics for heavy goods; the largest manager of expedited shipments; a top three provider of LTL transportation; and a top three provider of intermodal services, with a national drayage network. We are also a freight forwarder with a global network of ocean, air, ground and cross-border services.

In Europe, we provide full truckload transportation as dedicated and non-dedicated services using the Company's fleet, which is the largest owned road fleet in Europe, and as a brokered service using independent carriers. Our other transportation offerings in Europe are LTL transportation, which we provide through one of the largest LTL networks in Western Europe, and last mile logistics. Our total lane density in Europe covers the regions that produce approximately 90% of the eurozone's gross domestic product.

We use a blended model of owned, contracted and brokered capacity for truck transportation. This gives us extensive flexibility to provide solutions that best serve the interests of our customers and the Company. The non-asset portion of our model is predominately variable cost and includes our brokerage operations, as well as contracted capacity with independent providers. As of December 31, 2018, globally, we had approximately 12,000 independent carriers and 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 over 1,000,000 trucks on the road.

We employ professional drivers that transport goods for customers using our fleet of owned and leased trucks and trailers. Globally, our road fleet encompasses approximately 16,000 tractors and approximately 39,000 trailers, primarily related to our LTL operations in North America and our full truckload operations in Europe. These assets also provide supplemental capacity for our freight brokerage operations as needed. Our company overall is asset-light, with the revenue generated by activities directly associated with our owned assets accounting for less than a third of our revenue in 2018.

Logistics Segment

In our Logistics segment, which we sometimes refer to as supply chain or contract logistics, we have deep expertise in key verticals, and strong positions in fast-growing sectors, such as e-fulfillment, returns management and temperature-controlled warehousing. We provide a range of contract logistics services for customers, including value-added warehousing and distribution, omnichannel and e-commerce fulfillment, cold chain solutions, reverse logistics and surge management. In addition, our Logistics segment provides highly engineered, customized solutions and supply chain optimization services, such as volume flow management. Once we secure a logistics contract, the average tenure is approximately five years and the relationship can lead to a wider use of our services, such as inbound and outbound logistics. Our Logistics segment contributed approximately 35%, 34% and 32% to our consolidated revenue in each of the years ended December 31, 2018, 2017 and 2016, respectively.

We operate 190 million square feet (18 million square meters) of contract logistics facility space worldwide, making XPO the second largest contract logistics provider. Approximately 91 million square feet (8 million square meters) of our logistics space is in the United States, where we are a market leader in logistics capacity. Our expansive footprint makes us particularly attractive to large customers with multinational operations. Our logistics customers include many of the preeminent names in retail and e-commerce, food and beverage, technology, aerospace, wireless, industrial and manufacturing, chemical, agribusiness, life sciences and healthcare.

We also benefit from a strong position 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, making it difficult for many companies to handle fulfillment in-house while providing a high level of service. Demand in the e-commerce sector is characterized by strong seasonal surges in activity; the fourth quarter peak is typically the most dramatic, when holiday orders are placed online.

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 omnichannel services. Our experience with fast-growing e-commerce categories makes us a valuable partner to customers who

want to outsource order fulfillment, product returns, testing, refurbishment, warranty management, refunding, order personalization and other value-added services. Together with our last mile expertise with heavy goods, our logistics capabilities provide e-commerce companies with superior control, flexible warehousing options and labor, advanced automation and a national network of home delivery hubs.

Operating Philosophy

We believe that our ability to provide customers with integrated, end-to-end supply chain solutions gives us a significant competitive advantage. Many customers, particularly large companies, prefer to use large, multimodal service providers to manage more than one aspect of the supply chain. Additionally, we have positioned the Company to capitalize on the ongoing growth in e-commerce, and on secular trends in demand, such as outsourcing and just-in-time inventory practices.

Two hallmarks of our operations are technology and sustainability.

We prioritize innovation because we believe that advanced technology is critical to continuously improving customer service, controlling costs and leveraging our scale. Our 2018 investment in technology was approximately \$500 million, among the highest in our industry.

We concentrate our efforts in four areas of innovation: automation and intelligent machines, dynamic data science, the digital freight marketplace, and visibility and customer service, specifically in the e-commerce supply chain. Our global team of approximately 1,700 technology professionals can deploy proprietary software very rapidly on our cloud-based platform. Our focus is on developing innovations that differentiate our services, create benefits for our customers and value for our shareholders. For example, we have the ability to share data with our customers in real time, including visibility of orders moving through fulfillment and shipments in transit. Our technology gives us a birds-eye view of real-time market conditions and pricing for truckload, intermodal and LTL, and facilitates load assignments with our independent contractors, all of which greatly enhances customer service.

In addition, we have a strong commitment to sustainability. We own the largest natural gas truck fleet in Europe and we launched government-approved mega-trucks in Spain as two of numerous initiatives to reduce our carbon footprint. In 2018, we made substantial investments in fuel-efficient Freightliner Cascadia tractors in North America; these use EPA 2013-compliant and GHG14-compliant Selective Catalytic Reduction (“SCR”) technology. In Europe, our tractors are approximately 98% compliant with Euro V, EEV and Euro VI standards, making our fleet one of the most modern in the industry. Our Company has been awarded the label “Objectif CO₂” for outstanding environmental performance of transport operations in Europe by the French Ministry of the Environment and the French Environment and Energy Agency.

A number of our logistics facilities are ISO 14001-certified, which ensures environmental and other regulatory compliances. We monitor fuel emissions from forklifts, with protocols in place to take immediate corrective action if needed. Company packaging engineers ensure that the optimal carton size is used for each product slated for distribution and, as a byproduct of reverse logistics, we recycle millions of electronic components and batteries each year. We are committed to operating in a progressive and environmentally sound manner, with the greatest efficiency and the least waste possible.

Transportation Services

The Company’s Transportation segment includes freight brokerage (which encompasses truck brokerage, intermodal, drayage and expedite), last mile, LTL, full truckload, global forwarding and managed transportation services led by highly experienced operators.

Freight Brokerage

Our truck brokerage operations are non-asset-based: we place shippers’ freight with qualified carriers, primarily trucking companies. Customers offer loads to us via electronic data interchange, email, telephone and the internet on a daily basis. Truck brokerage services are priced on either a spot market or contract basis for shippers. We collect payments from our customers and pay the carriers for transporting customer loads. Our proprietary, cloud-based brokerage platform, Freight Optimizer, gives us real-time visibility into truckload supply and demand. Freight Optimizer is also the technology behind XPO Connect, our digital freight marketplace, which connects shippers and carriers in a virtual environment.

Our intermodal operations are asset-light: we provide customers with container capacity, brokered rail transportation, drayage transportation via independent contractors, and on-site operational services. We lease or own approximately 9,500 53-ft. containers and approximately 5,000 chassis. We utilize this equipment, together with access to supplemental capacity, to meet our customers' intermodal requirements.

We have a sophisticated infrastructure in place to work with the railroads in providing the long-haul portion of freight shipments in containers, and we contract with independent drayage trucking companies for local pickup and delivery. We also provide customized electronic tracking and analysis of market prices and negotiated rates through our proprietary Rail Optimizer technology, which we use to determine the optimal configurations of truck and rail.

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, 2018, 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 — we use a network of contracted owner-operators for expedited ground transportation, and an electronic bid platform for air charter loads. Another large component of our expedite offering is our proprietary transportation management platform, which awards loads electronically based on online bids by carriers. These transactions primarily happen on a machine-to-machine basis. Our technology initiates a new auction on the internet, and we take a fee for facilitating the process.

Our expedite services can be characterized as time-critical, time-sensitive or high priority freight shipments, many of which have special handling needs. Urgent needs for expedited transportation typically arise due to tight tolerances in a customer's supply chain, or some kind of disruption to the supply chain.

Expedite customers most often request our services on a per-load transactional basis through our offices or via our proprietary online portals. Only a small percentage of loads are scheduled for future delivery dates. We operate an ISO 9001:2008-certified call center that gives our customers on-demand status updates related to their expedited shipments. As of December 31, 2018, XPO was the largest manager of expedited freight shipments in North America.

Last Mile Logistics

Our last mile operations in North America and Europe primarily specialize in heavy goods, including appliances, furniture, large electronics and other items that are larger-than-parcel. As of December 31, 2018, XPO was the largest provider of last mile logistics for heavy goods in North America, having arranged approximately 40,000 deliveries a day on average in 2018.

Our last mile services are predominantly asset-light; we utilize independent contractors to perform transportation and over-the-threshold deliveries and installations. In North America, these services are facilitated through a large network of XPO last mile hubs. As of December 31, 2018, we had 85 hubs operating in North America, extending our footprint to within 125 miles of approximately 90% of the U.S. population and further reducing transit times for goods. We also have a small last mile business in Europe.

Last mile comprises the final stage of the delivery from a local distribution center or retail store to the end-customer's home or business, where additional services are often required. It is a fast-growing industry sector that serves blue chip retailers, e-commerce companies and smaller retailers that have limited in-house capabilities for deliveries and installations. Important aspects of last mile service are responsiveness to seasonal demand, economies of scale, advanced technology and an ability to maintain a consistently high quality of customer experience.

The last mile process often requires incremental services, such as unpacking, assembly, utility connection, installation and testing, as well as the removal of an old product. These additional services are commonly referred to as white-glove services. We use our proprietary technology platform to collect customer feedback, monitor carrier performance, manage capacity and encourage communication to protect the brands of the retailers, e-tailers and manufacturers we serve.

Less-Than-Truckload (LTL)

In North America, our LTL operations are asset-based. We employ professional drivers, own a leading fleet of tractors and trailers for line-haul, pickup and delivery, and have a large network of terminals. We provide our customers with critical density and day-definite regional, inter-regional and transcontinental LTL freight services. As of December 31, 2018, XPO was a top three provider of LTL services in North America, offering more than 75,000 next-day and two-day lanes. Our coverage area in North America encompasses approximately 99% of all U.S. zip codes, with service within Canada, and cross-border with Mexico and Canada.

In Europe, our LTL operations utilize a blend of asset-based and asset-light capacity — both Company fleet and contracted carriers, with a network of terminals. We provide LTL services domestically in France, the United Kingdom and Spain. We also offer multinational LTL distribution throughout Europe.

Full Truckload

Our asset-based full truckload services operate almost entirely in Europe. For many customers, we function as a dedicated contract carrier, providing truckload capacity by utilizing our fleet of tractors and trailers, and our drivers. 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 throughout Europe. As of December 31, 2018, 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 freight 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 subsidiaries as non-vessel-operating common carriers (“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 and NVOCCs, and vessel-operating common carriers.

Managed Transportation

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

Logistics Services

Our Logistics segment, which we also refer to as Supply Chain, encompasses a range of services for the purpose of helping our customers control costs and increase efficiency. We provide differentiated and data-intensive contract logistics services for customers, including value-added warehousing and distribution, e-commerce fulfillment, cold chain solutions, reverse logistics, packaging and labeling, factory support, aftermarket support, inventory management and personalization services, such as laser etching. In addition, our Logistics segment provides highly engineered, customized solutions and supply chain optimization services, such as volume flow management, predictive analytics and advanced automation. Our Logistics operations are led by seasoned executives in North America and Europe who collaborate on multinational opportunities. As of December 31, 2018, XPO was the second largest global provider of contract logistics based on facility space, with one of the largest e-fulfillment platforms in Europe.

We utilize our technology and expertise to solve complex supply chain challenges and create transformative solutions for our customers. Examples include intelligent robots that support our warehouse employees, and

sophisticated analytics for demand forecasting. Our proprietary algorithms can predict the flow of goods and future returns, helping our e-commerce customers plan for peak inventory, capacity and labor levels.

Our logistics customers primarily operate in industries with high-growth outsourcing opportunities, such as retail and e-commerce, food and beverage, technology, aerospace, wireless, industrial and manufacturing, chemical, agribusiness, life sciences and healthcare. They have demanding requirements for quality standards, real-time data visibility, special handling, security, the management of large numbers of stock-keeping units, time-assured deliveries and management of seasonal surges in certain sectors, such as retail and e-commerce.

XPO Direct

XPO Direct is a shared-space distribution network that capitalizes on the strengths of our Logistics and Transportation segments in combination. This network of logistics warehouses and last mile hubs gives our customers flexible capacity and helps them speed order fulfillment and delivery. Our facilities serve as stockholding sites and cross-docks that can be utilized by multiple customers at the same time. Transportation needs are supported by our brokered, contracted and owned capacity.

XPO Direct gives companies a way to manage Business-to-Consumer and Business-to-Business fulfillment using our scale and capacity, without the capital investment of adding high-fixed-cost distribution centers. Our North American footprint positions goods within one-day and two-day ground transportation range of approximately 90% of the U.S. population and in close proximity to retail stores for inventory replenishment.

Our Strategy

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

As part of our strategy, we continuously seek to become more efficient in our own operations. We do this by looking for ways to leverage our strengths and serve customers as comprehensively as possible — our existing customers, and also companies in high-growth verticals where there is a need for multiple XPO services. As of December 31, 2018, 90 of our top 100 customers were using two or more of our service lines.

In addition, we have a comprehensive framework of processes for recruiting, training and mentoring our 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 results for our customers and our Company.

We will continue to grow the business in a disciplined manner, and with a compelling value proposition: XPO can provide 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, multimodal 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 solutions that satisfy our customers' transportation-related supply chain goals;
- Recruit and retain quality drivers, and best utilize our driver and equipment capacities;
- 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 make meaningful use of data; and

- Integrate industry-best practices, with a focus on utilizing our advantages of scale to serve our customers efficiently 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 could use our solutions for more of their supply chain needs, including both logistics and transportation;
- Expand our relationships with existing customers that have multinational business interests in North America, Europe and Asia;
- Cross-sell our Logistics segment solutions to customers of our Transportation segment;
- Market the significant advantages of XPO's proprietary logistics technology;
- Market the ability of XPO to produce reliable, business-specific results across our global logistics network in a consistent manner;
- Provide world-class solutions that meet our customers' goals for supply chain performance, growth management and stakeholder satisfaction; and
- Integrate industry-best practices, with a focus on utilizing our advantages of scale to serve our customers efficiently and lower our administrative overhead.

Technology and Intellectual Property

One of the ways in which we empower our employees to deliver superior service is through our proprietary technology. We believe that technology is a compelling differentiator in our industry. It represents one of the Company's largest categories of investment, reflecting our belief that the continual enhancement of our technology is critical to our success.

In 2018, we introduced numerous innovations, some of which are described here:

In our Logistics segment, we launched our proprietary, cloud-based warehouse management platform to integrate robotics and other advanced automation very rapidly into our operations. This is particularly advantageous in multi-site and multichannel environments. Our technology facilitates omnichannel distribution, lean manufacturing support, aftermarket support, supply chain optimization and transportation management. It links our XPO Direct distribution network and can predict where stock should be positioned in the network for the greatest efficiency.

We announced a partnership with a world leader in consumer packaged goods to co-create a 638,000-square-foot logistics center in the U.K. The site is scheduled to open in 2020 and will feature advanced sortation systems and robotics, as well as other state-of-the-art automation and an XPO technology laboratory. A digital ecosystem will integrate predictive data and intelligent machines, operating as both a think tank and a launch pad for our innovations.

We're deploying 5,000 additional robots throughout our logistics sites in North America and Europe. These are intelligent robots that collaborate with humans; the solution is designed to supplement our existing workforce and support future growth. These robots shorten order-to-shipment times, support same-day and next-day deliveries and help workers minimize walk-time and manual errors. As a separate initiative, we are using data-driven workforce planning tools in our warehouses to optimize productivity shift by shift.

In our Transportation segment, our XPO Connect digital freight marketplace operates as a fully automated, self-learning platform that connects shippers with carriers, both directly and through the Company. This technology gives customers direct access to our carrier transportation network and its predictive data, while carriers connect through our Drive XPO mobile app. As of December 31, 2018, we had more than 14,000 carrier signups for XPO Connect access.

In last mile, our technology delivers a consistent consumer experience with superior satisfaction levels. The system gathers real-time feedback post-delivery to help our customers build loyalty. This protects the brands of our e-tail

and retail customers. We also use our proprietary applications to engage consumers in the delivery process for their heavy goods. Shoppers who buy large items from our customers online can track those orders in real time using our web portal, Google Home, Amazon Echo or Google Search. They can request personalized alerts, reschedule delivery times electronically and use our augmented reality tool to visualize the item inside their home.

In LTL, we launched a next-generation web integration that gives shippers access to more capabilities without custom programming, including delivery and pickup management tools, pricing and planning tools, and electronic document handling. We also developed proposal and pricing systems for LTL, with robust algorithms and profitability monitoring. Overall, we have improved the business intelligence we use internally for LTL pricing, workforce planning and network optimization.

The supply chain industry is wide open for disruptive thinking like this. Our position as a technology leader has led to important new advantages for our customers.

Customers and Markets

Our Company provides services to a variety of customers, ranging in size from small, entrepreneurial organizations to Fortune 500 companies and global leaders. We have a diversified base of more than 50,000 customers that minimizes our concentration risk: in 2018, approximately 11% of our revenue was attributable to our top five customers.

In addition, our markets are highly diversified. The customers we serve span every major industry and touch every part of the economy. Our revenue derives from a mix of key verticals, such as retail and e-commerce, food and beverage, consumer packaged goods and industrial.

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. For the full year 2018, approximately 59% of our revenue was generated in the United States, 13% came from France and 12% from the United Kingdom.

Competition

Transportation and logistics are highly competitive and fragmented marketplaces, with thousands of companies competing domestically and internationally. 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. Additionally, some of our customers have internal resources that can perform services we offer. 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 positioned the Company in fast-growing sectors to benefit from secular trends in demand, such as e-commerce and outsourcing. Together with our scale, technology and company-specific initiatives, we believe that our positioning should keep us growing 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 conduct business. These 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 motor carrier licenses issued by 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 issued by 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 related to drug-testing, 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. Like our third-party support carriers, we are subject to a variety of vehicle registration and licensing requirements in certain states and local jurisdictions where we operate. In foreign jurisdictions where we operate, our operations are regulated by the appropriate governmental authorities.

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."

Although the CSA scores are not currently publicly available, this development is likely to be temporary. As a result, 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 addition, nearly all carriers and drivers that are required to maintain records of duty status, including certain of XPO's motor carrier subsidiaries and drivers, have been required to install and use electronic logging devices ("ELDs"). ELD installation and use may increase costs for independent contractors and other third-party support carriers who provide services to XPO and may impact driver recruitment.

Regulations Affecting our Subsidiaries Providing Ocean and Air Transportation. XPO Customs Clearance Solutions, LLC ("XCCS") and XPO GF America, Inc. ("XGFA"), two of the Company's subsidiaries, are licensed as U.S. Customs brokers by the U.S. Customs and Border Protection ("the CBP") of the DHS in each U.S. district where they perform services. All U.S. Customs brokers are required to maintain prescribed records and are subject to periodic audits by the CBP. In other jurisdictions where 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 the DHS regarding air cargo security for all loads, regardless of origin and destination. XPO Global Forwarding, Inc. ("XGF"), XGFA and XPO Air Charter, LLC are regulated as "indirect air carriers" by the DHS and the TSA. These agencies provide requirements, guidance and, in some cases, administer licensing requirements and processes applicable to the freight forwarding industry.

Regarding our international operations, XGF and XGFA 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 XCCS are each registered as an Ocean Transportation Intermediary ("OTI") and ocean freight forwarders by the U.S. Federal Maritime Commission ("FMC"), which establishes the qualifications, regulations and bonding requirements to operate as an OTI and ocean freight forwarder for businesses originating and terminating in the United States. XGF and XGFA are also licensed NVOCCs.

Our international freight forwarding operations make us subject to regulations of the U.S. Department of State, the 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 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 and heighten the penalties for companies who misclassify workers and are found to have violated 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 said 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 requirement and/or for misclassifications. Some states have launched initiatives to increase revenues from items such as unemployment, workers’ compensation and income taxes, and the reclassification of independent contractors as employees could help states with those initiatives. Taxing and other regulatory authorities and courts apply a variety of standards in their determinations 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 contains 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. 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 costs for new tractors and trailers, reduced productivity and efficiency, and increased operating expenses, all of which could adversely affect our results of operations.

Risk Management and Insurance

We maintain 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 insurance reserves and are subject to a degree of variability.

Seasonality

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

Employees

As of December 31, 2018, the Company had more than 100,000 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

The following information relates to each of our executive officers:

Name	Age	Position
Bradley S. Jacobs	62	Chairman of the Board and Chief Executive Officer
Troy A. Cooper	49	President
Kenneth R. Wagers III	47	Chief Operating Officer and Interim President, LTL–North America
Sarah J.S. Glickman	49	Acting Chief Financial Officer
Mario A. Harik	38	Chief Information Officer

Bradley S. 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. Prior to XPO, he 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 A. Cooper has served as XPO’s president since April 2018, after formerly serving as XPO’s chief operating officer from 2014 to 2018, and as Transportation segment leader. From September 2015 to September 2017 he also served as chief executive officer and chairman of XPO Logistics Europe. Mr. Cooper joined the Company in September 2011 as vice president of finance. Prior to XPO, Mr. Cooper served as vice president and 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.). He began his career in public accounting with Arthur Andersen and Co. and has a degree in accounting from Marietta College.

Kenneth R. Wagers has served as XPO’s chief operating officer since April 2018, and additionally serves as interim president of the Company’s North American less-than-truckload business unit. Mr. Wagers has more than two decades of experience in the supply chain sector, including senior positions with Amazon.com, Dr Pepper Snapple Group and UPS. From 2013 until he joined the Company, he served as Amazon’s head of finance, worldwide transportation and logistics. For Dr Pepper Snapple Group, he held supply chain leadership positions in consumer packaged goods. Over 17 years with UPS, he was instrumental in the expansion of 3PL services, including UPS Supply Chain Solutions. Mr. Wagers holds a master’s degree in finance from Georgia State University.

Sarah J.S. Glickman has served as XPO’s acting chief financial officer since August 2018. Ms. Glickman served as XPO’s Senior Vice President, Corporate Finance from June 2018 to August 2018. Ms. Glickman’s more than 25 years of senior finance experience include her position as chief financial officer of business services for Novartis from January 2017 to May 2018, executive roles with Honeywell International from March 2006 to November 2016 and, prior to Honeywell, Bristol-Myers Squibb. During her 11 years with Honeywell, she served as chief financial officer of the fluorine products business, and as head of internal audit and director of finance operations. With Honeywell and Bristol-Myers Squibb, she held senior positions in corporate controllership and accounting, financial controls and compliance. Ms. Glickman began her career at PricewaterhouseCoopers. She is a CPA and a Chartered Accountant with a degree in economics from the University of York (UK).

Mario A. Harik has served as XPO’s chief information officer since November 2011. Mr. Harik has built comprehensive IT organizations, overseen the implementation of extensive proprietary platforms, and consulted to

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's degree in engineering, 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, specialized disclosure reports on Form SD, 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.

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, a reduction in 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 experience financial distress, file for bankruptcy protection, go out of business, or suffer disruptions in their business and may not be able to pay us. 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 capacity or services to meet our commitments to our customers; and
- 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 when market demand

changes. In periods of rapid change, it is more difficult to match our staffing levels to our business needs. In addition, we have other expenses that are primarily variable but are fixed for a period of time, as well as 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, which 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;
- Decisions by our current or prospective customers to develop or expand internal capabilities for some of the services we provide; and
- The development of new technologies or business models that 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.

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. To the extent that a customer defaults on its obligations under its agreement with us, we could be forced to take a significant loss on the unrecovered portion of this capital cost.

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 our financial condition and results of operations.

Our past acquisitions, as well as any acquisitions that we may complete in the future, may be unsuccessful or result in other risks or developments that adversely affect our financial condition and results.

While we intend for our acquisitions to improve our competitiveness and profitability, we cannot be certain that our past or future acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations. Acquisitions involve special risks, including accounting, regulatory, compliance, information technology or human resources issues that could arise in connection with, or as a result of, the acquisition of the acquired company, the assumption of unanticipated liabilities and contingencies, difficulties in integrating acquired businesses, possible management distraction, and the inability of acquired businesses to achieve the levels of revenue, profit,

productivity or synergies we anticipate or otherwise perform as we expect on the timeline contemplated. We are unable to predict all of the risks that could arise as a result of our acquisitions.

If the performance of our reporting units or an acquired business varies from our projections or assumptions, or if estimates about the future profitability of our reporting units or an acquired business change, our revenues, earnings or other aspects of our financial condition could be adversely affected. We may also experience difficulties in connection with integrating any acquired companies into our existing businesses and operations, including our existing infrastructure and information technology systems. The infrastructure and information technology systems of acquired businesses could present issues that we were not able to identify prior to the acquisition and that could adversely affect our financial condition and results; we have experienced challenges of this nature relating to the infrastructure and systems of our businesses that we recently acquired. Also, we may not realize all synergies we anticipate from past and potential future acquisitions. Among the synergies that we currently expect to realize are cross-selling opportunities to our existing customers, network synergies and other operational synergies. Any of these events could adversely affect our financial condition and results of operations.

We may not successfully manage our growth.

We have grown rapidly and substantially over prior years, including by expanding our internal resources, making acquisitions and entering into new markets, and we intend to continue to focus on rapid growth, including organic growth and additional acquisitions. 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, entering into new geographic areas and increased pressure on our existing infrastructure and information technology systems.

Our growth will place a significant strain on our management, operational, financial and information technology 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, including those systems of any businesses that we acquire.

We rely heavily on our information technology systems to efficiently run our business; they are a key component of our customer-facing services and internal growth strategy. In general, we expect our customers to continue to demand more sophisticated, fully integrated information systems from their transportation and logistics 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, which will continue to increase if we pursue new acquisitions of companies and their current systems. In addition, we may fail to accurately determine the needs of our customers or trends in the transportation services and logistics industries 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.

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.

A failure of our information technology infrastructure or a breach of our information security systems, networks or processes may materially adversely affect our business.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our sales and marketing, accounting and financial and legal and compliance functions, engineering and product development tasks, research and development data, communications, supply chain, order entry and fulfillment and other business processes. We also rely on third parties and virtualized infrastructure to operate and support our information technology systems. 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. The failure of our information technology systems to perform as we anticipate has in the past, and could in the future, adversely affect our business through transaction errors, billing and invoicing errors, internal recordkeeping and reporting errors, processing inefficiencies and loss of sales, receivables collection and customers, in each case, which could result in harm to our reputation and have an ongoing adverse impact on our business, results of operations and financial condition, including after the underlying failures have been remedied.

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, regulatory and enforcement focus on data protection has heightened 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.

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 over-the-road expedite operations and intermodal drayage operations) and in our last mile business, 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 or stoppages in transportation services 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 services in North America and Europe and our full truckload services in Europe 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 rates or other necessities in attracting and retaining qualified independent contractor drivers could adversely affect our profitability and ability to replenish or grow our independent contractor driver networks.

Our freight brokerage and intermodal businesses 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 networks.

We are currently experiencing difficulty in attracting and retaining sufficient numbers of qualified independent contractor drivers, and we expect to continue to experience this difficulty from time to time in the future. Additionally, our agreements with independent contractor drivers are terminable by either party upon short notice and without penalty. Consequently, we need to regularly recruit new qualified independent contractor drivers to replace those who have left our networks. 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 rates we offer our independent contractor drivers are subject to market conditions and we may find it necessary to continue to increase independent contractor drivers' rates 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 negotiations 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 customers' 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 facilities that are often located in close proximity to a customer's manufacturing plant and are integrated into the customer's production line process. We may experience significant revenue loss and shutdown costs, including costs related to early termination of leases, causing our business to suffer if clients are affected by 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 large 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 and this could have a direct impact on our business operations. 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 of the Company's LTL locations and two Supply Chain locations, and the International Association of Machinists ("Machinists") has attempted to organize a small number of mechanics at

three LTL maintenance shops. In 2018, the United Automobile, Aerospace and Agricultural Implement Workers of America (“UAW”) attempted to organize warehouse workers at one Supply Chain location. The majority of our employees involved in these organizing efforts rejected union representation. As of January 1, 2019, our employees have voted in favor of union representation in nine of the 23 union elections held since 2014, with approximately 520 employees voting in favor and 560 employees voting against representation. In October 2017, a majority of the employees of the North Haven, Connecticut Supply Chain location who had voted for Teamsters representation petitioned the Company to withdraw recognition of the Teamsters as the employees’ representative and the Company withdrew this recognition. In addition, the Company continues to challenge the results of one election held in 2014 for an LTL location in Los Angeles, California pursuant to a petition that had been filed by the Teamsters. The remaining seven locations where employees had voted in favor of union representation are in negotiations for an initial collective bargaining agreement. Since 2014, the Teamsters have withdrawn six petitions seeking elections on behalf of approximately 230 LTL employees prior to the election being held, and the Machinists withdrew one petition for an LTL election on behalf of six individuals. 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 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 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 that 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 our 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 55% 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, vehicular 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. Material increases in the frequency or severity of vehicular 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. Our involvement in the transportation of certain goods, including but not limited to hazardous materials, could also increase our exposure in the event that we or one of our contracted carriers is involved in an accident resulting in injuries or contamination. 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 collision and accident, cargo and workers' compensation claims. Our estimated liability for self-retained insurance claims reflects certain actuarial assumptions and judgments, which are subject to a degree of variability. We reserve for anticipated losses and expenses and periodically evaluate and adjust our claims reserves to reflect our experience. Estimating the number and severity of claims, as well as related judgment or settlement amounts, is inherently difficult. This, along with legal expenses, incurred but not reported claims, and

other uncertainties can cause unfavorable differences between actual self-insurance costs and our reserve estimates. Accordingly, our ultimate results may differ from our estimates, which could result in losses over our reserved amounts. We periodically evaluate our 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, while higher self-insured retention levels may increase the impact of loss occurrences on our results of operations.

In addition, the cost of providing benefits under our medical plans is dependent on a variety of factors, including governmental laws and regulations, healthcare cost trends, claims experience and healthcare 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 currently subject to securities class action litigation and may be subject to similar litigation in the future. Such matters can be expensive, time-consuming and have a material adverse effect on our business, results of operations and financial condition.

We are currently subject to securities class action litigation alleging violations of securities laws, which could harm our business and require us to incur significant costs. In December 2018, two purported class action lawsuits were filed against us and certain of our officers alleging that we made false and misleading statements and purporting to assert claims for violations of the federal securities laws, and seeking unspecified compensatory damages and other relief. One class action lawsuit has since been voluntarily dismissed. While we believe that we have a number of valid defenses to the claims described above and intend to vigorously defend ourselves in the remaining class action lawsuit, the matter is in the early stages of litigation and no assessment can be made as to the likely outcome of the matter or whether it will be material to us. Also, we may be subject to additional suits or proceedings in the future and litigation of this type may require significant attention from management and could result in significant legal expenses, settlement costs or damage awards that could have a material impact on our financial position, results of operations and 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.

We 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.

The Second Amended and Restated Revolving Loan Credit Agreement, as amended (the "ABL Facility"), the senior secured term loan credit agreement, as amended (the "Term Loan Facility") and the unsecured credit agreement (the "Unsecured Credit Agreement"), provide for an interest rate based on London Interbank Offered Rate ("LIBOR") or a Base Rate, as defined in the agreements, plus an applicable margin. Our European trade receivables securitization program (the "Receivables Securitization Program") provides for an interest rate at lenders' cost of funds plus an applicable margin. Our financial position may be affected by fluctuations in interest rates since the ABL Facility, Term Loan Facility, Unsecured Credit Agreement and Receivables Securitization Program 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 British pound sterling. 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”), the U.K. government initiated a process to leave the EU (a process often referred to as “Brexit”) and has begun 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 2018, we derived approximately 38% of our revenue from the U.K. and Europe, including 12% from 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, negatively impact the value of our defined benefit pension plans in the U.K., or otherwise have a negative impact on our operations, financial condition and results of operations.

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. Since 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 with XPO Logistics France SAS, XPO’s 100% owned French holding company, for tax purposes. Moreover, 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 fuel cost charges in full 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.

Extreme or unusual weather conditions can disrupt our operations, impact freight volumes, and increase our costs, all of which could have a material adverse effect on our business results.

Certain weather conditions such as floods, ice and snow can disrupt our operations. Increases in the cost of our operations, such as snow removal at our locations, towing and other maintenance activities, frequently occur during the winter months. Natural disasters such as hurricanes and flooding can also impact freight volumes and increase our costs.

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 technologies in conducting our business. Whether internally developed or purchased, it is possible that users 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 operations.

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 titled “Business” for more information.

Future laws and regulations may be more stringent and require changes to 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. In particular, it is difficult to predict which and in what form CSA, the ELD mandate or any other FMCSA regulations may be modified or enforced and what impact any such regulation may have on motor carrier operations or the aggregate number of trucks that provide hauling capacity to the Company. Higher costs incurred by us as a result of future new regulations, or by our independent contractors or third-party transportation providers who pass increased costs on to us, 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 reports filed with the SEC, we filed initial voluntary disclosure of such matters with OFAC in August 2016. In August 2018, OFAC addressed these matters by responding with a cautionary letter to us. To our knowledge, OFAC is considering no further action in response to the voluntary disclosure filed by us in August 2016. We may, in the future, 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, 2018. 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, 2018, the Company and its subsidiaries operated approximately 1,535 locations, primarily in North America and Europe, including approximately 331 locations owned or leased by our customers. These facilities are located in all 48 states of the contiguous United States as well as globally.

Segment (Location)	Leased Facilities	Owned Facilities	Customer Facilities ⁽²⁾	Total
Transportation (North America)	371	144	5	520
Transportation (Europe)	164	30	—	194
Transportation (Other) ⁽¹⁾	10	—	—	10
Logistics (North America)	200	1	131	332
Logistics (Europe)	210	9	173	392
Logistics (Other) ⁽¹⁾	55	—	22	77
Corporate	9	1	—	10
Total	1,019	185	331	1,535

(1) Other represents locations primarily in Asia.

(2) Locations owned and leased by customers.

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, 2018, 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 138 freight service centers for our LTL business and 39 properties throughout Europe. We believe that our facilities are sufficient for our current needs.

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 putative 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. 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. Additionally, we are subject to shareholder litigation regarding our public filings with the SEC. For additional information about these matters, please refer to **Note 17—Commitments and Contingencies** to the Consolidated Financial Statements.

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.

PART II

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

Common Stock

Our common stock is listed on the New York Stock Exchange (“NYSE”) under the symbol XPO.

As of February 8, 2019, there were approximately 210 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.

Issuer Purchases of Equity Securities

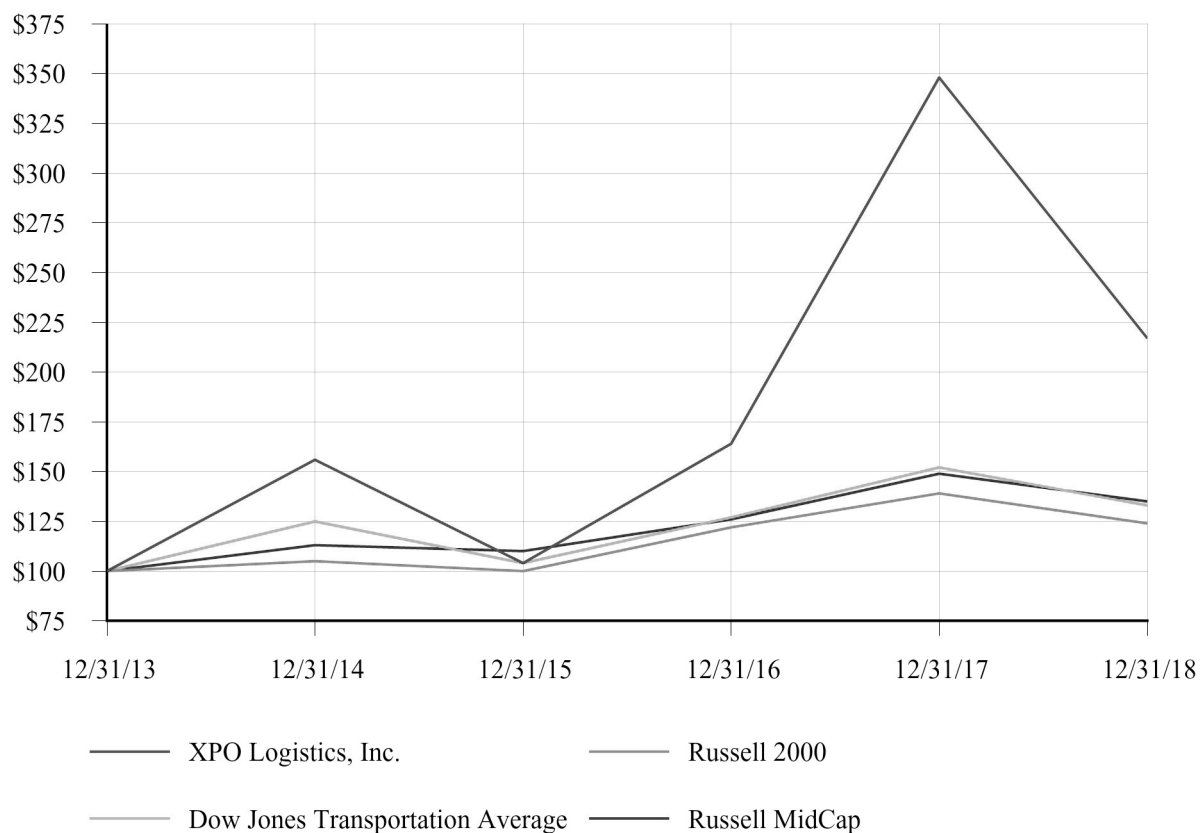
<i>(In millions, except per share data)</i>	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
October 1, 2018 through October 31, 2018	—	\$ —	—	\$ —
November 1, 2018 through November 30, 2018	—	—	—	—
December 1, 2018 through December 31, 2018	10	53.46	10	464
Total	<u>10</u>	<u>\$ 53.46</u>	<u>10</u>	<u>\$ 464</u>

(1) Based on settlement date.

(2) On December 14, 2018, our Board of Directors authorized share repurchases of up to \$1 billion of our common stock. For further details, refer to **Note 13—Stockholders’ Equity** to the Consolidated Financial Statements. In January and February 2019, we repurchased 8 million shares for an aggregate value of \$464 million. This completed the authorized repurchase program. On February 13, 2019, our Board of Directors authorized a new share repurchase of up to \$1.5 billion of our common stock. We are not obligated to repurchase any specific number of shares, and may suspend or discontinue the program at any time.

Stock Performance Graph

The graph below compares the cumulative five-year total return of holders of our common stock with the cumulative total returns, including reinvestment of any dividends, of the Russell 2000 Index, the Dow Jones Transportation Average Index and the Russell MidCap index. The rules of the SEC require that if an index is selected that is different from the index used in the immediately preceding fiscal year, the total return must be compared with both the newly-selected index and the index used in the immediately preceding year. The graph in our 2017 Annual Report on 10-K included a comparison of our common stock with the Russell 2000 Index and the Dow Jones Transportation Average Index. However, the Russell MidCap index, of which we are a component, generally includes companies with more comparable market capitalization to us than the Russell 2000 index. As a result, we believe that the Russell MidCap index is a more appropriate index and have included both the Russell 2000 and the Russell MidCap indices in the graph. The graph tracks the performance of a \$100 investment in our common stock and in each index from December 31, 2013 to December 31, 2018.



	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
XPO Logistics, Inc.	\$ 100.00	\$ 155.50	\$ 103.65	\$ 164.17	\$ 348.38	\$ 216.96
Russell 2000	\$ 100.00	\$ 104.89	\$ 100.26	\$ 121.63	\$ 139.44	\$ 124.09
Dow Jones Transportation Average	\$ 100.00	\$ 125.07	\$ 104.11	\$ 127.36	\$ 151.58	\$ 132.90
Russell MidCap	\$ 100.00	\$ 113.22	\$ 110.46	\$ 125.70	\$ 148.97	\$ 135.48

Unregistered Sales of Equity Securities and Use of Proceeds

During the year ended December 31, 2018, pursuant to the Investment Agreement dated as of June 13, 2011 by and among Jacobs Private Equity, LLC (“JPE”) and the other investors party thereto (collectively with JPE, the “Investors”) the Company issued 53,500 unregistered shares of its common stock as a result of the cashless exercise

of warrants by certain shareholders and 7,143 unregistered shares of its common stock as a result of the exercise of warrants by certain shareholders for cash resulting in the receipt of \$50,001 of total proceeds by the Company. The proceeds received by the Company will be used for general corporate purposes. The issuance of these shares was exempt from the registration requirements of the Securities Act of 1933, as amended, in accordance with Section 4(a)(2) thereof, as a transaction by an issuer not involving any public offering.

ITEM 6. *SELECTED FINANCIAL DATA*

The following tables set forth our selected historical and quarterly consolidated financial data. During 2014 and 2015, we made a number of acquisitions, including the 2015 acquisitions of Con-way, Inc. and Norbert Dentressangle, and have included the results of operations of the acquired businesses from the date of acquisition. Additionally, we divested our North American Truckload operation in the fourth quarter of 2016. As a result, our period to period results of operations vary depending on the dates and sizes of these acquisitions and divestitures. Accordingly, this selected financial data is not necessarily comparable or indicative of our future results. 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.

<i>(In millions, except per share data)</i>	As of or For the Years Ended December 31,				
	2018	2017	2016	2015	2014
Operating Results:					
Revenue	\$ 17,279	\$ 15,381	\$ 14,619	\$ 7,623	\$ 2,357
Operating income (loss) ⁽¹⁾	704	582	464	(29)	(41)
Income (loss) before income taxes	566	261	107	(283)	(90)
Net income (loss) ⁽²⁾	444	360	85	(192)	(64)
Net income (loss) attributable to common shareholders ⁽³⁾	390	312	63	(246)	(107)
Per Share Data:					
Basic earnings (loss) per share	\$ 3.17	\$ 2.72	\$ 0.57	\$ (2.65)	\$ (2.00)
Diluted earnings (loss) per share	2.88	2.45	0.53	(2.65)	(2.00)
Financial Position:					
Total assets	\$ 12,270	\$ 12,602	\$ 11,698	\$ 12,643	\$ 2,749
Long-term debt, less current portion	3,902	4,418	4,732	5,273	580
Preferred stock	41	41	42	42	42
Total equity	3,970	4,010	3,038	3,061	1,655

- (1) Operating income for 2017 and 2016 reflects the retrospective effects from the January 1, 2018 adoption of Accounting Standard Update 2017-07, Compensation - Retirement Benefits (Topic 715): "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." See **Note 2—Basis of Presentation and Significant Accounting Policies** to the Consolidated Financial Statements in Item 8 for further information.
- (2) As discussed further in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," our net income for 2017 included a \$173 million benefit related to the revaluation of our net deferred tax liabilities as a result of the Tax Cuts and Jobs Act (the "Tax Act").
- (3) Net loss attributable to common shareholders for the years ended December 31, 2015 and 2014 reflect beneficial conversion charges of \$52 million on Series C Preferred Stock and \$41 million on Series B Preferred Stock, respectively, that were recorded as deemed distributions during the third quarter of 2015 and the fourth quarter of 2014, respectively.

The Company's unaudited results of operations for each of the quarters in the years ended December 31, 2018 and 2017 are summarized below:

<i>(In millions, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter ^{(2),(3)}
2018				
Revenue	\$ 4,192	\$ 4,363	\$ 4,335	\$ 4,389
Operating income	141	228	209	126
Net income	79	159	115	91
Net income attributable to common shareholders ⁽¹⁾	67	138	101	84
Basic earnings per share ⁽¹⁾	0.56	1.14	0.81	0.67
Diluted earnings per share ⁽¹⁾	0.50	1.03	0.74	0.62
2017				
Revenue	\$ 3,540	\$ 3,760	\$ 3,887	\$ 4,194
Operating income	104	175	177	126
Net income	25	57	71	207
Net income attributable to common shareholders ⁽¹⁾	19	47	57	189
Basic earnings per share ⁽¹⁾	0.18	0.43	0.49	1.57
Diluted earnings per share ⁽¹⁾	0.16	0.38	0.44	1.42

- (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 the impact of the two-class method of calculating earnings per share.
- (2) The fourth quarter of 2018 included a litigation charge of \$26 million, a gain on the sale of an equity investment of \$24 million and a restructuring charge of \$19 million.
- (3) The fourth quarter of 2017 included a debt extinguishment loss of \$22 million and a tax benefit of \$173 million resulting from the enactment of the Tax Act.

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

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. We are organized into two reportable segments: Transportation and Logistics. The Transportation segment provides freight brokerage, last mile, less-than-truckload ("LTL"), full truckload, global forwarding and managed transportation services. The Logistics segment, which we also refer to as supply chain, provides differentiated and data-intensive contract logistics services for customers, including value-added warehousing and distribution, e-commerce fulfillment, cold chain solutions, reverse logistics, packaging and labeling, factory support, aftermarket support, inventory management and personalization services, such as laser etching. In addition, our Logistics segment provides highly engineered, customized solutions and supply chain optimization services, such as volume flow management, predictive analytics and advanced automation.

Our 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.

Consolidated Summary Financial Table

<i>(Dollars in millions)</i>	For the Years Ended December 31,			Percent of Revenue		
	2018	2017	2016	2018	2017	2016
Revenue	\$ 17,279	\$ 15,381	\$ 14,619	100.0 %	100.0 %	100.0 %
Cost of transportation and services	9,013	8,132	7,887	52.2 %	52.9 %	54.0 %
Direct operating expense	5,725	5,006	4,616	33.1 %	32.5 %	31.6 %
SG&A expense	1,837	1,661	1,652	10.6 %	10.8 %	11.3 %
Operating income	704	582	464	4.1 %	3.8 %	3.2 %
Other expense (income)	(109)	(57)	(34)	(0.6)%	(0.4)%	(0.2)%
Foreign currency loss (gain)	3	58	(40)	— %	0.4 %	(0.3)%
Debt extinguishment loss	27	36	70	0.2 %	0.2 %	0.5 %
Interest expense	217	284	361	1.3 %	1.8 %	2.5 %
Income before income tax provision (benefit)	566	261	107	3.3 %	1.7 %	0.8 %
Income tax provision (benefit)	122	(99)	22	0.7 %	(0.6)%	0.2 %
Net income	\$ 444	\$ 360	\$ 85	2.6 %	2.3 %	0.6 %

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

Our consolidated revenue for 2018 increased by 12.3% to \$17.3 billion, from \$15.4 billion in 2017. The increase primarily was driven by growth in our European and North American contract logistics businesses, and by the expansion of our transportation businesses, most notably our LTL, freight brokerage and last mile service offerings. Foreign currency movement contributed to revenue growth by approximately 1.6 percentage points in 2018.

During the fourth quarter of 2018, our largest customer curtailed its business with us, resulting in a decrease in revenue of \$46 million. In early 2019, this same customer further downsized the balance of its business with us. Based on 2018 data, we estimate that the downsizing will negatively impact our full-year 2019 revenue by approximately \$600 million, or approximately two-thirds of the revenue that this customer's business generated for our Company in 2018.

Cost of transportation and services includes the cost of providing or procuring freight transportation for XPO customers and salaries paid to employee drivers in our truckload and LTL businesses.

Cost of transportation and services increased by 10.8% in 2018 to \$9,013 million, from \$8,132 million in 2017. As a percentage of revenue, Cost of transportation and services decreased to 52.2% in 2018, from 52.9% in 2017. The reduction as a percentage of revenue was primarily driven by a higher mix of contract logistics revenue, and by net revenue margin improvement in freight brokerage. Net revenue is defined as Revenue less Cost of transportation and services. Net revenue margin is defined as net revenue as a percentage of Revenue.

Direct operating expenses are both fixed and variable expenses and consist of operating costs related to our contract logistics facilities, last mile warehousing facilities, LTL service centers and European LTL network. Direct operating costs consist mainly of personnel costs, facility and equipment expenses, such as rent, utilities, equipment maintenance and repair, costs of materials and supplies, information technology expenses, depreciation expense, and gains and losses on sales of property and equipment.

Direct operating expense in 2018 was \$5,725 million, or 33.1% of revenue, compared with \$5,006 million, or 32.5% of revenue, in 2017. The increase as a percentage of revenue primarily was driven by a higher mix of contract logistics revenue and higher temporary labor costs related to an increase in the number of new Logistics contract startups. In 2018, Direct operating expense included \$6 million of gains on the sale of property and equipment.

Sales, general and administrative expense (“SG&A”) primarily consists of salary and benefit costs for executive and certain administration functions, depreciation and amortization expense, professional fees, facility costs, bad debt expense and legal costs.

SG&A was \$1,837 million in 2018, or 10.6% of revenue, compared with \$1,661 million, or 10.8% of revenue, in 2017. The improvement in SG&A as a percentage of revenue primarily reflects lower professional fees and lower bonus and share-based compensation expenses, partially offset by costs of \$26 million for independent contractor matters incurred in late 2018.

Other expense (income) for 2018 was \$109 million of income, compared with \$57 million of income in 2017. Components of Other expense (income) that contributed to the increase were: net periodic pension income of \$72 million in 2018, compared with \$42 million in 2017; a gain of \$24 million related to the sale of an equity investment in a private company; and a gain of \$9 million related to a terminated swap.

Foreign currency loss was \$3 million in 2018, compared with \$58 million in 2017. Foreign currency loss in 2018 primarily reflects realized losses on foreign currency option and forward contracts, as well as foreign currency transaction and remeasurement losses, almost entirely offset by unrealized gains on foreign currency option and forward contracts. Foreign currency loss in 2017 primarily reflects unrealized and realized losses on foreign currency option and forward contracts, partially offset by foreign currency transaction and remeasurement losses. For additional information on our foreign currency option and forward contracts, see **Note 10—Derivative Instruments** to the Consolidated Financial Statements.

Debt extinguishment losses were \$27 million and \$36 million in 2018 and 2017, respectively. Debt extinguishment losses in 2018 included \$17 million for the partial redemption of our 6.50% senior notes due 2022 (“Senior Notes due 2022”) and \$10 million for the refinancing of our senior secured term loan credit agreement, as amended (the “Term Loan Facility”). Debt extinguishment losses in 2017 includes \$8 million for the refinancing of our Term Loan Facility, \$23 million for the redemption of the 5.75% senior notes due June 2021 (“Senior Notes due 2021”) and \$5 million for the redemption of the 7.25% senior notes due 2018 (“Senior Notes due 2018”). See Liquidity and Capital Resources below for further information.

Interest expense for 2018 decreased 23.6% to \$217 million, from \$284 million in 2017. The decrease in interest expense reflects a reduction in average total indebtedness, as well as lower rates attributable to our 2018 refinancings.

Our consolidated income before income taxes in 2018 was \$566 million, compared with \$261 million in 2017. The increase was driven by higher operating income in our Transportation and Logistics segments, primarily due to revenue growth, reduced interest expense, lower foreign currency losses and higher pension income. With respect to our U.S. operations, income before taxes increased by \$41 million in 2018, compared with the prior year, primarily reflecting a \$78 million increase in operating income, a \$73 million decrease in borrowing costs and a \$50 million increase in other income, including a gain of \$24 million from the sale of an equity investment, partially offset by \$166 million of foreign currency losses. With respect to our non-U.S. operations, income before taxes increased by

\$264 million, reflecting \$220 million of foreign currency gain. The foreign currency gain realized by our non-U.S. operations in 2018 was partially offset by the foreign currency loss in our U.S. operations due to hedging strategies, and to naturally offsetting positions of intercompany loans between the entities.

Our effective income tax rates in 2018 and 2017 were 21.6% and (38.2)%, respectively. Primary impacts to the 2018 effective tax rate were: \$26 million of excess tax benefit from stock-based compensation; and a \$4 million benefit associated with the deduction of foreign taxes paid in prior years. Primary impacts to the 2017 effective tax rate were: a \$173 million tax benefit related to the Tax Cuts and Jobs Act (the “Tax Act”); an \$18 million benefit due to differences between foreign tax rates and the U.S. tax rate; \$13 million of incremental expense due to changes in uncertain tax positions; a \$10 million benefit due to the revaluation of deferred tax liabilities resulting from enacted tax law changes in France and Belgium that lowered the statutory tax rates; and \$9 million of excess benefit from stock-based compensation.

The Tax Act includes numerous changes to existing U.S. tax law. We have carefully evaluated the Tax Act, and although we anticipate that ongoing regulatory guidance will be issued, our accounting for the enactment date effects is complete. We have analyzed the various provisions of the Tax Act and their impact on our operations and financial statements, and have reached the following final conclusions:

- The reduction in the U.S. corporate federal statutory tax rate from 35% to 21% required a one-time revaluation of our net deferred tax liabilities which resulted in a tax benefit of \$173 million recorded as of December 31, 2017. No modifications were required during 2018.
- The Tax Act required a one-time tax on the mandatory deemed repatriation of accumulated foreign earnings as of December 31, 2017. We did not incur a tax liability on the mandatory repatriation.
- We did not incur U.S. tax liabilities from the Tax Act provision for the Base Erosion and Anti-Abuse Tax (“BEAT”) as of December 31, 2018.
- We did incur U.S. tax liabilities from the Tax Act provision for the Global Intangible Low-Taxed Income (“GILTI”) as of December 31, 2018 in the amount of \$8 million. We made a policy decision to record GILTI as part of period cost.

Fourth Quarter 2018 Items

Fourth quarter 2018 includes the previously discussed litigation costs of \$26 million (see also **Note 17—Commitments and Contingencies** to the Consolidated Financial Statements) and a gain on the sale of an equity investment of \$24 million. Additionally, our fourth quarter 2018 results reflect a restructuring charge of \$19 million (see also **Note 6—Restructuring Charges** to the Consolidated Financial Statements) and a decrease in stock compensation expense of \$44 million, compared with fourth quarter 2017. The restructuring charge and stock compensation expense have been reflected within SG&A in the Consolidated Statements of Income. Upon successful completion of the restructuring initiatives in 2019, we expect to achieve annualized pre-tax cost savings of approximately \$55 million to \$60 million.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Our consolidated revenue for 2017 increased by 5.2% to \$15.4 billion, from \$14.6 billion in 2016. The increase primarily was driven by growth in our European contract logistics business, improvement in weight per day in our North American LTL business, and by the expansion of our North American truck brokerage and last mile businesses. These benefits to 2017 revenue were partially offset by the October 2016 divestiture of our North American Truckload operation, which had revenue of \$432 million in 2016.

Cost of transportation and services increased by 3.1% in 2017 to \$8,132 million, from \$7,887 million in 2016. As a percentage of revenue, Cost of transportation and services decreased to 52.9% in 2017, from 54.0% in 2016. The reduction as a percentage of revenue was primarily driven by a lower mix of managed transportation revenue in North America and a higher mix of contract logistics revenue in Europe, partially offset by higher third-party transportation costs in freight brokerage and last mile operations.

Direct operating expense in 2017 was \$5,006 million, or 32.5% of revenue, compared with \$4,616 million, or 31.6% of revenue, in 2016. The increase as a percentage of revenue primarily was driven by higher costs for payroll and

temporary labor to support growth in our contract logistics business, and by the sale of the truckload business. These impacts were partially offset by our implementation of cost-saving initiatives and the improved dock efficiency we realized in our North American LTL business.

SG&A was \$1,661 million in 2017, or 10.8% of revenue, compared with \$1,652 million, or 11.3% of revenue, in 2016. The improvement in SG&A as a percentage of revenue primarily reflects savings from shared services, centralized procurement initiatives, lower professional fees, and technology-enabled labor efficiencies in our North American brokerage and intermodal businesses.

Other expense (income) for 2017 was \$57 million of income, compared with \$34 million of income in 2016. The primary driver of the increase was net periodic pension income of \$42 million in 2017, compared with \$24 million in 2016.

Foreign currency impact was a loss of \$58 million in 2017, compared with a gain of \$40 million in 2016. The loss in 2017 primarily reflects a \$49 million loss on unrealized foreign currency option and forward contracts, due to the strengthening of the euro and the British pound sterling relative to the U.S. dollar. The gain in 2016 primarily was due to a \$40 million gain on unrealized foreign currency option and forward contracts.

Debt extinguishment losses were \$36 million and \$70 million in 2017 and 2016, respectively. Debt extinguishment losses in 2017 include \$8 million for the refinancing of our Term Loan Facility, \$23 million for the redemption of the Senior Notes due 2021 and \$5 million for the redemption of the Senior Notes due 2018. Debt extinguishment losses in 2016 include \$35 million from the redemption of the Senior Notes due 2019, \$18 million from the refinancing of the Term Loan Facility, and \$17 million from the repurchase of Term Loan Facility debt.

Interest expense for 2017 decreased 21.3% to \$284 million, from \$361 million in 2016. The decrease in interest expense reflects a reduction in average total indebtedness, as well as lower rates attributable to our recent refinancings. The reduction in average total indebtedness reflects our utilization of the proceeds from the sale of our North American Truckload operation in October 2016 to repurchase \$555 million of outstanding indebtedness.

Our consolidated income before income taxes for 2017 was \$261 million, compared with \$107 million for 2016. The increase was driven by significantly higher operating income in our Transportation and Logistics segments, primarily due to revenue growth, cost-saving initiatives and technology-enabled labor efficiencies, and by reduced interest expense, partially offset by foreign currency losses. With respect to our U.S. operations, income before taxes increased by \$348 million in 2017, compared with the prior year, reflecting a \$127 million increase in foreign currency gain, a \$110 million decrease in borrowing costs, a \$92 million increase in operating income, and a \$19 million increase in other income. With respect to our non-U.S. operations, income before taxes decreased by \$194 million, reflecting a \$208 million increase in foreign currency loss. The foreign currency loss realized by our non-U.S. operations in 2017 was partially offset by a gain in our U.S. operations due to hedging strategies and naturally offsetting positions of intercompany loans between the entities. The significant difference between U.S. income before tax of \$278 million and non-U.S. loss before tax of \$17 million reflects the fact that foreign currency movements benefited our U.S. operations and negatively impacted our non-U.S. operations in 2017.

Our effective income tax rates in 2017 and 2016 were (38.2)% and 20.9%, respectively. Primary impacts to the 2017 effective tax rate were: a \$173 million benefit related to the Tax Act; an \$18 million benefit due to differences between foreign tax rates and the U.S. tax rate; \$13 million of incremental expense due to changes in uncertain tax positions; a \$10 million benefit due to the revaluation of deferred tax liabilities resulting from enacted tax law changes in France and Belgium that lowered the statutory tax rates; and \$9 million of excess benefit from stock-based compensation. Primary impacts to the 2016 effective tax rate were: a \$13 million benefit due to the revaluation of deferred tax liabilities resulting from an enacted tax law change in France that lowered the statutory tax rate; and a \$5 million benefit from stock-based compensation.

Transportation Segment

Summary Financial Table

<i>(In millions)</i>	For the Years Ended December 31,			Percent of Transportation Revenue		
	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2018	2017	2016
Revenue	\$ 11,343	\$ 10,276	\$ 9,976	100.0%	100.0%	100.0%
Operating income	646	547	459	5.7%	5.3%	4.6%

- (1) Certain minor organizational changes were made in 2018 related to our managed transportation business. Managed transportation previously had been included in the Logistics segment; as of January 1, 2018, it is reflected in the Transportation segment. Prior period information was recast to conform to the current year presentation.

Note: Total depreciation and amortization for the Transportation segment included in Cost of transportation and services, Direct operating expense and SG&A was \$461 million, \$447 million and \$456 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

Revenue in our Transportation segment increased by 10.4% to \$11.3 billion in 2018, compared with \$10.3 billion in 2017. The increase was led by growth in our freight brokerage, LTL and last mile businesses in North America, as well as our transportation business in the United Kingdom. Foreign currency movement contributed to revenue growth by approximately 1.2 percentage points in 2018.

Operating income in our Transportation segment increased to \$646 million in 2018, compared with \$547 million in 2017. The improvement primarily was driven by revenue growth, improved profitability in our global freight brokerage business, operating margin improvement in our North America LTL business, and the expansion of our dedicated truckload business in Europe.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Revenue in our Transportation segment increased by 3.0% to \$10.3 billion in 2017, compared with \$10.0 billion in 2016. This increase primarily was driven by 16.6% revenue growth in our U.S. last mile business, 16.8% growth in U.S. freight brokerage business, and a 5.1% increase in weight per day in our North American LTL business. The impact of these items was partially offset by the divestiture of our North American Truckload operation, which had revenue of \$432 million in 2016, and lower revenue in our global forwarding and managed transportation businesses.

Operating income in our Transportation segment increased in 2017 to \$547 million, compared with \$459 million in 2016. The improvement was primarily driven by strong revenue growth, a reduction in direct operating expenses due to the implementation of cost-saving initiatives and the improved dock efficiency we realized in our North American LTL business, and lower SG&A from centralized support functions in European transportation and technology-enabled labor efficiencies in our North American freight brokerage business. These gains were partially offset by our sale of the North American Truckload operation.

Logistics Segment

Summary Financial Table

<i>(In millions)</i>	For the Years Ended December 31,			Percent of Logistics Revenue		
	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2018	2017	2016
Revenue	\$ 6,065	\$ 5,229	\$ 4,761	100.0%	100.0%	100.0%
Operating income	216	202	165	3.5%	3.9%	3.5%

- (1) Certain minor organizational changes were made in 2018 related to our managed transportation business. Managed transportation previously had been included in the Logistics segment; as of January 1, 2018, it is reflected in the Transportation segment. Prior period information was recast to conform to the current year presentation.

Note: Total depreciation and amortization for the Logistics segment included in Cost of transportation and services, Direct operating expense and SG&A was \$244 million, \$203 million and \$185 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

Revenue in our Logistics segment increased by 16.0% to \$6.1 billion in 2018, compared with \$5.2 billion in 2017. The increase in revenue primarily was driven by strong demand for contract logistics in Europe and North America, led by the growth of e-commerce logistics. In Europe, the largest gains came from the fashion, food and beverage, and retail sectors. In North America, the largest gains came from the omnichannel retail and consumer packaged goods sectors. Foreign currency movement contributed to revenue growth by approximately 2.4 percentage points in 2018.

Operating income in our Logistics segment increased in 2018 to \$216 million, compared with \$202 million in 2017. The improvement primarily was driven by strong revenue growth and site productivity improvements. This was partially offset by higher direct operating costs, largely related to new contract startups that required more temporary labor, payroll and purchased services, and higher bad debt expense.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Revenue in our Logistics segment increased by 9.8% to \$5.2 billion in 2017, compared with \$4.8 billion in 2016. The increase in revenue primarily was driven by strong demand for contract logistics in Europe and North America. European logistics revenue growth reflected a significant benefit from new e-commerce and cold chain contract startups in the United Kingdom, Italy and the Netherlands. In North America, the largest gains came from the e-commerce, industrial and consumer packaged goods sectors.

Operating income in our Logistics segment increased in 2017 to \$202 million, compared with \$165 million in 2016. The improvement primarily was driven by strong revenue growth. This was partially offset by an increase in direct operating costs and SG&A, largely related to new contract startups that required more temporary labor and payroll.

Liquidity and Capital Resources

Our principal existing sources of cash are cash generated from operations, borrowings available under the Second Amended and Restated Revolving Loan Credit Agreement (the “ABL Facility”) and proceeds from the issuance of other debt. Availability under the ABL Facility of \$704 million as of December 31, 2018 is based on a borrowing base of \$934 million, as well as outstanding letters of credit of \$230 million. In addition, we use trade accounts receivable securitization and factoring programs as part of managing our cash flows and to offset the impact of certain customers extending payment terms.

<i>(In millions)</i>	December 31,	
	2018	2017
Cash and cash equivalents	\$ 502	\$ 397
Working capital	375	591

The decrease in working capital of \$216 million during 2018 was primarily due to higher short-term borrowings, including an unsecured credit facility entered into in December 2018 (“Unsecured Credit Agreement”) described below, and an accrual as of December 31, 2018 related to our share repurchases, partially offset by higher cash and cash equivalents in 2018.

We continually evaluate our liquidity requirements, capital needs and the availability of capital resources based on our operating needs and our planned growth initiatives. We believe that our existing sources of liquidity will be sufficient to support our existing operations over the next 12 months.

Unsecured Credit Facility

In December 2018, we entered into a \$500 million Unsecured Credit Agreement with Citibank, N.A., which matures on December 23, 2019. As of December 31, 2018, we had borrowed \$250 million under the Unsecured Credit

Agreement. We made a second borrowing of \$250 million in January 2019. We used the proceeds of both borrowings to finance a portion of our share repurchases as described below. Our borrowings under the Unsecured Credit Agreement will initially bear interest at a rate equal to the London Interbank Offered Rate (“LIBOR”) or Alternate Base Rate (“ABR”) plus an applicable margin of 3.50%, in the case of LIBOR loans, and 2.50% in the case of ABR loans. The margin is subject to two increases, of 50 basis points each, if any amounts remain outstanding under the Unsecured Credit Agreement on certain dates. The interest rate on outstanding borrowings as of December 31, 2018 was 6.01%.

Redemption of Senior Notes due 2022

In July 2018, we redeemed \$400 million of the then \$1.6 billion outstanding Senior Notes due 2022 that were originally issued in 2015. The redemption price for the Senior Notes due 2022 was 103.25% of the principal amount, plus accrued and unpaid interest up to, but excluding, the date of redemption. The redemption was primarily funded using proceeds from the settlement of the forward sale agreements, described below. In connection with the redemption, we recognized a loss on debt extinguishment of \$17 million in 2018.

Refinancing of Term Loans

In February 2018, we entered into a Refinancing Amendment (Amendment No. 3 to the Credit Agreement) (the “Third Amendment”), pursuant to which, the outstanding \$1,494 million principal amount of term loans under the Term Loan Credit Agreement (the “Former Term Loans”) were replaced with \$1,503 million in aggregate principal amount of new term loans (the “Present Term Loans”). The Present Term Loans have substantially similar terms as the Former Term Loans, except with respect to the interest rate and maturity date applicable to the Present Term Loans, prepayment premiums in connection with certain voluntary prepayments and certain other amendments to the restrictive covenants. Proceeds from the Present Term Loans were used to refinance the Former Term Loans and to pay interest, fees and expenses in connection therewith.

The interest rate margin applicable to the Present Term Loans was reduced from 1.25% to 1.00%, in the case of base rate loans, and from 2.25% to 2.00%, in the case of LIBOR loans (with the LIBOR floor remaining at 0.0%). The interest rate on the Present Term Loans was 4.51% as of December 31, 2018. The Present Term Loans will mature on February 23, 2025. The refinancing resulted in a debt extinguishment charge of \$10 million, which was recognized in 2018.

In March 2017, we entered into a Refinancing Amendment (Amendment No. 2 to the Credit Agreement) (the “Second Amendment”), pursuant to which the outstanding \$1,482 million principal amount of term loans under the Term Loan Credit Agreement (the “Existing Term Loans”) were replaced with \$1,494 million in aggregate principal amount of new term loans (the “Current Term Loans”). The Current Term Loans have substantially similar terms as the Existing Term Loans, other than the applicable interest rate and prepayment premiums in respect to certain voluntary prepayments. Proceeds from the Current Term Loans were used primarily to refinance the Existing Term Loans and to pay interest, fees and expenses in connection therewith.

The interest rate margin applicable to the Current Term Loans was reduced from 2.25% to 1.25%, in the case of base rate loans, and from 3.25% to 2.25%, in the case of LIBOR loans and the LIBOR floor was reduced from 1.0% to 0%. The refinancing resulted in a debt extinguishment charge of \$8 million in 2017.

In August 2016, we entered into a Refinancing Amendment (the “First Amendment”), pursuant to which the outstanding \$1,592 million principal amount of term loans under the Term Loan Credit Agreement (the “Old Term Loans”) were replaced with a like aggregate principal amount of new term loans (the “New Term Loans”). The New Term Loans have substantially similar terms as the Old Term Loans, other than the applicable interest rate and prepayment premiums in respect to certain voluntary prepayments. Of the \$1,592 million of term loans that were refinanced, \$1,197 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. In connection with this refinancing, various lenders exited the syndicate and we recognized a debt extinguishment loss of \$18 million in 2016.

In addition, pursuant to the First Amendment, we borrowed \$400 million of Incremental Term B-1 Loans (the “Incremental Term B-1 Loans”) and an additional \$50 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 all have identical terms, other than with respect to the original issue discounts, and will mature on October 30, 2021.

Redemption of Senior Notes due 2021

In December 2017, we redeemed all of our outstanding Senior Notes due 2021 that were originally issued in 2015. The redemption price for the Senior Notes due 2021 was 102.875% of the principal amount, plus accrued and unpaid interest up to, but excluding, the date of redemption. The redemption was funded using cash on hand at the date of the redemption. The loss on debt extinguishment of \$23 million was recognized in 2017.

Redemption of Senior Notes due 2018

In August 2017, we redeemed all of our outstanding Senior Notes due 2018. The Senior Notes due 2018 were assumed in connection with our 2015 acquisition of Con-way, Inc. (“Con-way”). The redemption price for the Senior Notes due 2018 was 102.168% of the principal amount, plus accrued and unpaid interest up to, but excluding, the date of redemption. The redemption was funded using cash on hand at the date of the redemption. The loss on debt extinguishment of \$5 million was recognized in 2017.

Receivables Securitization and Factoring

We use trade accounts receivable securitization and factoring programs as part of managing our cash flows. We account for transfers under our factoring arrangements as sales because we sell full title and ownership in the underlying receivables and have met the criteria for control of the receivables to be considered transferred. We account for transfers under our securitization program as either sales or secured borrowings based on an evaluation of whether we have transferred control.

In October 2017, XPO Logistics Europe SA (“XPO Logistics Europe”), in which we hold an 86.25% controlling interest, entered into a European trade receivables securitization program for a term of three years co-arranged by Crédit Agricole and HSBC. Under the terms of the program, XPO Logistics Europe, or one of its wholly-owned subsidiaries in the United Kingdom or France, sells trade receivables to XPO Collections Designated Activity Company Limited (“XCDAL”), a wholly-owned bankruptcy remote special purpose entity of XPO Logistics Europe. The receivables are funded by senior variable funding notes denominated in the same currency as the corresponding receivables. XCDAL is considered a variable interest entity and it is consolidated by XPO Logistics Europe based on its control of the entity’s activities. The receivables balance under this program are reported as Accounts receivable in our Consolidated Balance Sheets and the related notes are included in our Long-term debt. The receivables securitization program provides additional liquidity to fund XPO Logistics Europe’s operations.

In the first quarter of 2018, the aggregate maximum amount available under the program was increased from €270 million to €350 million (approximately \$401 million as of December 31, 2018). Additionally, in the fourth quarter of 2018, the program was amended and a portion of the receivables transferred from XCDAL are now accounted for as sales. As of December 31, 2018, the remaining borrowing capacity, which considers receivables that are collateral for the notes as well as receivables which have been sold, was \$0. The weighted-average interest rate as of December 31, 2018 for the program was 1.09%.

As of December 31, 2018, in connection with the securitization program, we sold receivables of \$231 million and received cash of \$179 million and a deferred purchase price receivable of \$52 million. For our factoring programs, as of December 31, 2018, we sold receivables of \$248 million and received cash of \$246 million. As of December 31, 2017, for our factoring programs, we sold receivables of \$119 million and received cash of \$119 million.

Share Repurchases

On December 14, 2018, our Board of Directors authorized share repurchases of up to \$1 billion of our common stock. The repurchase authorization permits us to repurchase shares in both open market and private repurchase transactions, with the timing and number of shares repurchased dependent on a variety of factors, including price, general business and market conditions, alternative investment opportunities and funding considerations. Through December 31, 2018, based on the settlement date, we purchased and retired 10 million shares of our common stock having an aggregate value of \$536 million at an average price of \$53.46 per share. In January and February 2019,

based on the settlement date, we purchased and retired 8 million shares of our common stock having an aggregate value of \$464 million at an average price of \$59.47 per share, which completed the authorized repurchase program. The share repurchases were funded by the unsecured credit facility and available cash. On February 13, 2019, our Board of Directors authorized a new share repurchase of up to \$1.5 billion of our common stock. We are not obligated to repurchase any specific number of shares, and may suspend or discontinue the program at any time.

Equity Offering and Forward Sale Agreements

In July 2017, we completed a registered underwritten offering of 11 million shares of our common stock at a public offering price of \$60.50 per share (the “Offering”). Of the 11 million shares of common stock, five million shares were offered directly by us and six million shares were offered in connection with forward sale agreements (the “Forward Sale Agreements”) described below. The Offering closed on July 25, 2017.

We received proceeds of \$290 million (\$288 million net of fees and expenses) from the sale of five million shares of common stock in the Offering. We used the net proceeds of the shares issued and sold by us in the Offering for general corporate purposes.

In connection with the Offering, we entered into separate Forward Sale Agreements with Morgan Stanley & Co. LLC and JPMorgan Chase Bank, National Association, London Branch (the “Forward Counterparties”) pursuant to which we agreed to sell, and each Forward Counterparty agreed to purchase, three million shares of our common stock (or six million shares of our common stock in the aggregate) subject to the terms and conditions of the Forward Sale Agreements, including our right to elect cash settlement or net share settlement. The initial forward price under each of the Forward Sale Agreements is \$58.08 per share (which was the public offering price of our common stock for the primary offering of the five million shares described above, less the underwriting discount) and was subject to certain adjustments pursuant to the terms of the Forward Sale Agreements. Consistent with our strategy to grow our business in part through acquisitions, we entered into the Forward Sale Agreements to provide additional available cash for such acquisitions, among other general corporate purposes. In July 2018, we physically settled the forwards in full by delivering six million shares of common stock to the Forward Counterparties for net cash proceeds to us of \$349 million. As a part of our ordinary course treasury management activities, we applied these net cash proceeds to the repayment of the Senior Notes due 2022 as described above, thereby reducing our overall outstanding debt and interest expense.

Loan Covenants and Compliance

As of December 31, 2018, we were in compliance with the covenants and other provisions of our debt agreements. Any failure to comply with any material provision or covenant of these agreements could have a material adverse effect on our liquidity and operations.

Sources and Uses of Cash

Our cash flows from operating, investing and financing activities, as reflected on the Consolidated Statements of Cash Flows, are summarized as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2018	2017	2016
Net cash provided by operating activities	\$ 1,102	\$ 785	\$ 622
Net cash (used in) provided by investing activities	(400)	(386)	142
Net cash used in financing activities	(620)	(366)	(681)
Effect of exchange rates on cash, cash equivalents and restricted cash	(17)	16	(4)
Net increase in cash, cash equivalents and restricted cash	<u>\$ 65</u>	<u>\$ 49</u>	<u>\$ 79</u>

During 2018, we: (i) generated cash from operating activities of \$1,102 million, (ii) received proceeds of \$349 million from our forward sale settlement and (iii) generated proceeds from sales of assets of \$143 million. We used cash during this period principally to: (i) purchase property and equipment of \$551 million, (ii) repurchase common stock of \$536 million, (iii) make payments on long-term debt and capital leases of \$119 million, (iv) make

payments, net of proceeds, of \$100 million on our ABL facility, (v) make payments for tax withholdings on restricted shares of \$53 million and (vi) make repurchases, net of proceeds, of \$151 million on our debt.

During 2017, we: (i) generated cash from operating activities of \$785 million, (ii) generated proceeds from sales of assets of \$118 million, (iii) generated proceeds from common stock offerings of \$288 million and (iv) received proceeds of \$70 million, net of repayments, on our ABL facility. We used cash during this period principally to: (i) purchase property and equipment of \$504 million, (ii) make repurchases, net of proceeds, of \$568 million on our debt, (iii) make payments on long-term debt and capital leases of \$106 million, (iv) make payments for debt issuance costs in connection with the European trade securitization program of \$17 million and (v) make payments for tax withholdings on restricted shares of \$17 million.

Cash flows from operating activities for 2018 increased by \$317 million compared with 2017, due to higher cash-related net income of \$196 million and net movements in operating assets and liabilities of \$121 million. The increase in cash-related net income was due primarily to higher revenues in our transportation and logistics segments. The changes in the balances of operating assets and liabilities in 2018 compared with 2017 resulted primarily from a lower accounts receivable position on a year-over-year basis, partially offset by the timing of working capital payments. As discussed above, the lower accounts receivable position in 2018 as compared with 2017 reflects higher sales of trade receivables under our securitization and factoring programs in 2018. In particular, in exchange for the sales, we received cash of \$179 million (securitization) and \$246 million (factoring) as of December 31, 2018, and \$119 million (factoring) as of December 31, 2017. Additionally, cash flows from operating activities was favorably impacted by \$41 million of lower interest payments in 2018 compared with 2017, due to lower average debt balances and lower interest rates in 2018 due to refinancings.

Cash flows from operating activities for 2017 increased by \$163 million compared with 2016, due to higher cash-related net income of \$239 million, partially offset by net movements in operating assets and liabilities of \$76 million. The increase in cash-related net income was due primarily to higher revenues in our transportation and logistics segments. The changes in the balances of operating assets and liabilities in 2017 compared with 2016 resulted primarily from higher revenues, which led to a higher accounts receivable position on a year-over-year basis, partially offset by the timing of working capital payments. Additionally, cash flows from operating activities was favorably impacted by lower interest of \$89 million paid in 2017 compared with 2016, due to lower average debt balances and more favorable interest rates in 2017, primarily from the redemption of our Senior Notes due 2019 and advantageous debt refinancings.

Investing activities used \$400 million of cash in 2018 compared with \$386 million used in 2017 and \$142 million generated in 2016. During 2018, we used \$551 million of cash to purchase fixed assets and received \$143 million of cash from the sale of assets. During 2017, we used \$504 million of cash to purchase fixed assets and received \$118 million of cash from the sale of assets. During 2016, we received \$548 million of cash from the sale of our North American Truckload operation, used \$483 million to purchase fixed assets and received \$69 million of cash from the sale of assets.

Financing activities used \$620 million of cash in 2018, compared with \$366 million used in 2017 and \$681 million used in 2016. The primary use of cash in 2018 was the \$1,225 million repurchase of debt, consisting of the refinancing of the Former Term Loans and the partial redemption of our Senior Notes due 2022, the \$536 million repurchase of common stock and the \$119 million repayment of debt and capital leases. The main sources of cash from financing activities in 2018 was the \$1,064 million of net proceeds from the issuance of debt, consisting of the refinancing of the term loan, amounts received from secured borrowing transactions under our European trade securitization program and amounts received under the Unsecured Credit Agreement, and \$349 million of proceeds from our forward sale settlement. In 2017, our primary use of cash was the \$1,387 million repurchase of debt and the \$106 million repayment of debt and capital leases. The main source of cash from financing activities in 2017 was the \$802 million of net proceeds from the issuance of long-term debt, and \$288 million net proceeds from the issuance of common stock. In 2016, our primary use of cash was the \$1,889 million repurchase of debt and the \$151 million repayment of debt and capital leases. The main source of cash from financing activities in 2016 was the \$1,352 million of net proceeds from the issuance of long-term debt.

Defined Benefit Pension Plans

We maintain defined benefit plans for certain employees in the U.S. and internationally. The largest of these plans include the funded U.S. plan and the unfunded U.S. plan (collectively, the “U.S. Plans”) and the funded U.K. plan, which we refer to as defined benefit pension plans. Historically, we have realized income, rather than expense, from these plans. We generated aggregate income from our U.S. and U.K. plans of \$74 million in 2018, \$44 million in 2017 and \$28 million in 2016. The plans have been generating income due to their funded status and because they do not allow for new plan participants or additional benefit accruals.

Defined benefit pension plan amounts 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 obligations and fair value of plan assets represent our best estimates based on available information regarding historical experience and factors that may cause future expectations to differ. Differences in actual experience or changes in assumptions could materially impact our obligation and future expense or income.

Discount Rate

In determining the appropriate discount rate, 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, 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 net periodic benefit costs and benefit obligations are as follows:

	U.S. Qualified Plans		U.S. Non-Qualified Plans		U.K. Plan	
	2018	2017	2018	2017	2018	2017
Discount rate - net periodic benefit costs	3.14% - 3.38%	3.83% - 4.35%	2.84% - 3.21%	4.35%	2.21%	2.70%
Discount rate - benefit obligations	4.18% - 4.39%	3.55% - 3.71%	3.93% - 4.28%	3.21% - 3.60%	2.85%	2.53%

An increase or decrease of 25 basis points in the discount rate would decrease or increase our 2018 pre-tax pension income by \$2 million each for the U.S. qualified plans and U.K. plan, respectively.

In 2018, we changed how we estimate the interest cost component of net periodic cost for our U.S. and U.K. pension benefit plans. Previously, we estimated the interest cost component utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of this component by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to each of the underlying projected cash flows based on time until payment. The new estimate provides a more precise measurement of interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of our U.S. and U.K. pension benefit obligation and has been accounted for as a change in accounting estimate and thus applied prospectively.

Rate of Return on Plan Assets

We estimate the expected return on plan assets using current market data as well as historical returns. The expected return on plan assets is based on estimates of long-term returns and considers the plans’ anticipated asset allocation over the course of the next year. The plan assets are managed pursuant to a long-term allocation strategy that seeks to mitigate volatility in the plans’ funded status by increasing participation 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, 2018, our expected return on plan assets was \$92 million for the U.S. Plans and \$67 million for the U.K. plan, compared to the actual return on plan assets of \$(113) million for the U.S. Plans and \$(35) million for the U.K. plan. The actual annualized return on plan assets for the U.S. Plans for 2018 was approximately (6)%, which was below the expected return on asset assumption for the year due to negative performance in a challenging long duration fixed income market environment, which represented over 80% of the

portfolio, and negative performance from the domestic and international equity markets. The actual annualized return on plan assets for the U.K. plan for 2018 was approximately (3)%, which was below the expected return on asset assumption for the year due to a fall in the plan's liability driven investments portfolio, which represents approximately 50% of the plan's assets due to a rise in nominal and real gilt yields over the year, as well as negative performance from equity and credit markets over the year. An increase or decrease of 25 basis points in the expected return on plan assets would increase or decrease our 2018 pre-tax pension income by \$4 million for the U.S. qualified plans and \$3 million for the U.K. plan.

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 \$53 million for the U.S. Plans and gains of \$5 million for the U.K. plan as of December 31, 2018. 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. We do not expect to recognize any amortization of actuarial gain or loss in our net periodic benefit expense (income) for 2019.

Lump Sum Payout

During 2017, we offered eligible former employees who had not yet commenced receiving their pension benefit an opportunity to receive a lump sum payout of their vested pension benefit. On December 1, 2017, in connection with this offer, one of our pension plans paid \$142 million from pension plan assets to those who accepted this offer, thereby reducing our pension benefit obligations. The transaction had no cash impact on us but did result in a non-cash pre-tax pension settlement gain of \$1 million. As a result of the lump sum payout, we re-measured the funded status of our pension plan as of the settlement date. To calculate this pension settlement gain, we utilized a discount rate of 4.35% through the measurement date and 3.83% thereafter.

Effect on Results

The effects of the defined benefit pension plans on our results consist primarily of the net effect of the interest cost on plan obligations for the U.S. Plans and the U.K. plan, and the expected return on plan assets. We estimate that the defined benefit pension plans will contribute annual pre-tax income in 2019 of \$24 million for the U.S. Plans and \$30 million for the U.K. plan.

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 and generally accepted accounting principles, and the tax deductibility of contributions, among other factors. We made \$5 million of contributions to the U.S. Non-Qualified Plans in 2018 and \$5 million of contributions in 2017; we estimate that we will make \$5 million of contributions to the U.S. Non-Qualified Plans in 2019. We made no contributions to the U.S. Qualified Plans in 2018 and 2017. We do not anticipate making any contributions to the U.S. Qualified Plans in 2019.

For the U.K. plan, the amount and timing of pension contributions are determined in accordance with U.K. pension codes and trustee negotiations. We made contributions of \$3 million and \$13 million to the U.K. plan in 2018 and 2017, respectively. We estimate that we will make \$3 million of contributions to the U.K. plan in 2019.

For additional information, refer to **Note 12—Employee Benefit Plans** to the Consolidated Financial Statements.

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2018:

<i>(In millions)</i>	Payments Due by Period				
	Total	2019	2020-2021	2022-2023	Thereafter
Contractual obligations					
Capital leases payable	\$ 310	\$ 61	\$ 115	\$ 95	\$ 39
Operating leases	2,436	577	827	509	523
Purchase commitments	97	49	41	7	—
Debt (excluding capital leases)	4,126	322	262	1,737	1,805
Interest on debt ⁽¹⁾	1,200	228	400	282	290
Total contractual cash obligations	\$ 8,169	\$ 1,237	\$ 1,645	\$ 2,630	\$ 2,657

(1) Estimated interest payments have been calculated based on the principal amount of debt and the applicable interest rates as of December 31, 2018.

As of December 31, 2018, our Consolidated Balance Sheet reflects a long-term liability of \$444 million for deferred taxes and \$29 million for gross unrecognized tax benefits. As the timing of future cash outflows for these liabilities is uncertain, they are excluded from the above table. Actual amounts of contractual cash obligations may differ from estimated amounts due to changes in foreign currency exchange rates. We anticipate net capital expenditures to be between \$400 million and \$450 million in 2019.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles. A summary of our significant accounting policies is contained in **Note 2—Basis of Presentation and Significant Accounting Policies** to the Consolidated Financial Statements. In applying many accounting principles, we make assumptions, estimates and/or judgments that are often subjective and may change based on changing circumstances or changes in our analysis. Material changes in these assumptions, estimates and/or judgments have the potential to materially alter our results of operations. We have identified below our accounting policies that we believe could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. Although actual results may differ from estimated results, we believe the estimates are reasonable and appropriate.

Evaluation of Goodwill

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, the assignment of assets and liabilities to reporting units, the assignment of goodwill to reporting units, and a determination of the fair value of each reporting unit.

As more fully described in **Note 2—Basis of Presentation and Significant Accounting Policies** to the Consolidated Financial Statements, Accounting Standards Update (“ASU”) 2017-04, Intangibles - Goodwill and Other (Topic 350): “Simplifying the Accounting for Goodwill Impairment,” which we adopted in connection with our annual goodwill impairment test as of August 31, 2017, dictates that goodwill impairment, if any, is measured at the amount by which a reporting unit’s carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill.

Accounting guidance allows entities to perform a qualitative assessment (a “step-zero” test) before performing a quantitative analysis. If an entity determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carry amount, the entity does not need to perform a quantitative analysis for that reporting unit. The qualitative assessment includes review of macroeconomic conditions, industry and market considerations, internal cost factors and overall financial performance, among other factors.

For our 2018 goodwill assessment, we performed a step-zero qualitative analysis for all six of our reporting units. For our 2017 goodwill assessment, we performed a step-zero qualitative analysis for five of our reporting units and elected to proceed directly to a step one quantitative analysis for one reporting unit. Based on the qualitative assessments performed each year, we concluded that it is not more likely than not that the fair value of our reporting units was less than their carrying amounts, and therefore further quantitative analysis was not performed. For the years ended December 31, 2018 and 2017, we did not recognize any goodwill impairment.

We estimate the fair value of our reporting units using an income approach based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The discount rates reflect management's judgment and are based on a risk adjusted weighted-average cost of capital utilizing industry market data of businesses similar to the reporting units. 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.

Self-Insurance Accruals

We use a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of medical, casualty, liability, vehicular, cargo and workers' compensation claims. We periodically evaluate the level of insurance coverage and adjust our 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 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. We believe the actuarial methods are appropriate for measuring these self-insurance accruals. However, based on the number 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 affect the estimated liability and those amounts may be different than the actual costs paid to settle the claims.

Income Taxes

Our annual effective tax rate is based on our income and statutory tax rates in the various jurisdictions in which we operate. Judgment and estimates are required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and as new information becomes available. Our effective tax rate in any financial statement period may be materially impacted by changes in the mix and/or level of earnings by taxing jurisdiction.

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 losses and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing all available evidence, including the reversal of deferred tax liabilities, carrybacks available, and historical and projected pre-tax profits generated by operations. Valuation allowances are established when, in management's judgment, it is more likely than not that its deferred tax assets will not be realized. In assessing the need for a valuation allowance, management weighs the available positive and negative evidence, including limitations on the use of tax losses and other carryforwards due to changes in ownership, historic information, and projections of future sources of taxable income that include and exclude future reversals of taxable temporary differences.

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. As of December 31, 2018, we had an aggregate principal amount outstanding of \$1,503 million 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 2.00%, in the case of LIBOR loans, and 1.00%, in the case of Base Rate loans. Assuming an average annual aggregate principal amount outstanding of \$1,503 million, a hypothetical 1% increase in the interest rate would have increased our annual interest expense by \$15 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 throughout 2018, a hypothetical 1% change in the interest rate would have increased our annual interest expense by \$10 million.

Trade Securitization Program. As of December 31, 2018, our trade securitization program had an outstanding debt balance of \$283 million. The interest rates on our Trade Securitization Program fluctuate based on lenders' cost of funds plus an applicable margin. Assuming our \$401 million trade securitization program was fully drawn through secured borrowings throughout 2018, a hypothetical 1% increase in the interest rate would have increased our annual interest expense by \$4 million.

Unsecured Credit Facility. We have exposure to changes in interest rates on our Unsecured Credit Facility. The interest rates on our Unsecured Credit Facility fluctuate based on LIBOR or a Base Rate plus an applicable margin. Assuming our \$500 million Unsecured Credit Facility was fully drawn as of December 31, 2018, a hypothetical 1% change in the interest rate would have increased our annual interest expense by \$5 million.

Asset Financing. As of December 31, 2018, we had outstanding \$55 million aggregate principal amount of Asset Financing. Most of the Asset Financing has floating interest rates that subject us to risk resulting from changes in short-term (primarily Euribor) interest rates. Assuming an average annual aggregate principal amount outstanding of \$55 million, a hypothetical 1% increase in the interest rate would increase our annual interest expense by less than \$1 million.

We also have risk related to our fixed-rate debt. As of December 31, 2018, we had an aggregate of \$2.1 billion of indebtedness (excluding capital leases) that bears interest at fixed rates. A 1% decrease in market interest rates as of December 31, 2018 would increase the fair value of our fixed-rate indebtedness by approximately 4%. For additional information concerning our debt, see **Note 11—Debt** to the Consolidated Financial Statements.

Foreign Currency Exchange Risk

We have a significant proportion of our net assets and income in non-U.S. dollar (“USD”) currencies, primarily the euro (“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 or the GBP relative to the USD could have an adverse impact on our financial results.

In connection with the issuances of the Senior Notes due 2023 and 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 2023 and the 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 order to mitigate against the risk of a reduction in the value of foreign currency earnings before interest, taxes, depreciation and amortization for those Company operations that use the EUR or the GBP as their functional currency, we use foreign currency option contracts.

As of December 31, 2018, a uniform 10% strengthening in the value of the USD relative to the EUR would have resulted in a decrease in net assets of \$52 million. As of December 31, 2018, a uniform 10% strengthening in the value of the USD relative to the GBP would have resulted in a decrease in net assets of \$30 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, 2018, diesel prices fluctuated by as much as 17.4% in France, 17.7% in the United Kingdom, and 14.2% in the United States. However, we include price adjustment clauses or cost-recovery mechanisms in many of our customer contracts in the event of a change in the cost to purchase fuel. 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 affect our financial performance over the long term.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Index to Consolidated Financial Statements

	<u>Page No.</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>49</u>
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	<u>51</u>
<u>Consolidated Statements of Income for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>52</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>53</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>54</u>
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>55</u>
<u>Notes to Consolidated Financial Statements</u>	<u>57</u>

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of XPO Logistics, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of XPO Logistics, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income (loss), cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company'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 Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Charlotte, North Carolina

February 14, 2019

XPO Logistics, Inc.
Consolidated Balance Sheets

<i>(In millions, except per share data)</i>	December 31,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 502	\$ 397
Accounts receivable, net of allowances of \$52 and \$42, respectively	2,596	2,725
Other current assets	590	466
Total current assets	3,688	3,588
Property and equipment, net of \$1,585 and \$1,110 in accumulated depreciation, respectively	2,605	2,664
Goodwill	4,467	4,564
Identifiable intangible assets, net of \$706 and \$560 in accumulated amortization, respectively	1,253	1,435
Other long-term assets	257	351
Total long-term assets	8,582	9,014
Total assets	\$ 12,270	\$ 12,602
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,258	\$ 1,251
Accrued expenses	1,480	1,526
Short-term borrowings and current maturities of long-term debt	367	104
Other current liabilities	208	116
Total current liabilities	3,313	2,997
Long-term debt	3,902	4,418
Deferred tax liability	444	419
Employee benefit obligations	153	162
Other long-term liabilities	488	596
Total long-term liabilities	4,987	5,595
Stockholders' equity:		
Convertible perpetual preferred stock, \$0.001 par value; 10 shares authorized; 0.07 of Series A shares issued and outstanding as of December 31, 2018 and 2017, respectively	41	41
Common stock, \$0.001 par value; 300 shares authorized; 116 and 120 shares issued and outstanding as of December 31, 2018 and 2017, respectively	—	—
Additional paid-in capital	3,311	3,590
Retained earnings (accumulated deficit)	377	(43)
Accumulated other comprehensive (loss) income	(154)	16
Total stockholders' equity before noncontrolling interests	3,575	3,604
Noncontrolling interests	395	406
Total equity	3,970	4,010
Total liabilities and equity	\$ 12,270	\$ 12,602

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Income

<i>(In millions, except per share data)</i>	Years Ended December 31,		
	2018	2017	2016
Revenue	\$ 17,279	\$ 15,381	\$ 14,619
Operating expenses			
Cost of transportation and services	9,013	8,132	7,887
Direct operating expense	5,725	5,006	4,616
Sales, general and administrative expense	1,837	1,661	1,652
Total operating expenses	16,575	14,799	14,155
Operating income	704	582	464
Other expense (income)	(109)	(57)	(34)
Foreign currency loss (gain)	3	58	(40)
Debt extinguishment loss	27	36	70
Interest expense	217	284	361
Income before income tax provision (benefit)	566	261	107
Income tax provision (benefit)	122	(99)	22
Net income	444	360	85
Net income attributable to noncontrolling interests	(22)	(20)	(16)
Net income attributable to XPO	\$ 422	\$ 340	\$ 69
Earnings per share data (Note 16):			
Net income attributable to common shareholders	\$ 390	\$ 312	\$ 63
Basic earnings per share	\$ 3.17	\$ 2.72	\$ 0.57
Diluted earnings per share	\$ 2.88	\$ 2.45	\$ 0.53
Weighted-average common shares outstanding			
Basic weighted-average common shares outstanding	123	115	110
Diluted weighted-average common shares outstanding	135	128	123

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Comprehensive Income (Loss)

<i>(In millions)</i>	Years Ended December 31,		
	2018	2017	2016
Net income	\$ 444	\$ 360	\$ 85
Other comprehensive (loss) income, net of tax			
Foreign currency translation (loss) gain, net of tax effect of \$(6), \$47 and \$-	\$ (100)	\$ 180	\$ (138)
Unrealized (loss) gain on financial assets/liabilities designated as hedging instruments, net of tax effect of \$(1), \$(1) and \$-	(6)	5	(7)
Defined benefit plans adjustment, net of tax effect of \$23, \$(29) and \$(4)	(91)	90	4
Other comprehensive (loss) income	(197)	275	(141)
Comprehensive income (loss)	\$ 247	\$ 635	\$ (56)
Less: Comprehensive (loss) income attributable to noncontrolling interests	(5)	72	(3)
Comprehensive income (loss) attributable to XPO	\$ 252	\$ 563	\$ (53)

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Cash Flows

<i>(In millions)</i>	Years Ended December 31,		
	2018	2017	2016
Operating activities			
Net income	\$ 444	\$ 360	\$ 85
Adjustments to reconcile net income to net cash from operating activities			
Depreciation and amortization	716	658	643
Stock compensation expense	49	79	55
Accretion of debt	15	19	17
Deferred tax expense (benefit)	45	(158)	(21)
Debt extinguishment loss	27	36	70
Unrealized (gain) loss on foreign currency option and forward contracts	(20)	49	(40)
Gain on sale of equity investment	(24)	—	—
Other	—	13	8
Changes in assets and liabilities:			
Accounts receivable	(13)	(320)	(154)
Other assets	(49)	(92)	13
Accounts payable	35	140	2
Accrued expenses and other liabilities	(123)	1	(56)
Net cash provided by operating activities	1,102	785	622
Investing activities			
Payment for purchases of property and equipment	(551)	(504)	(483)
Proceeds from sale of assets	143	118	69
Proceeds from sale of business, net of \$11 cash divested	—	—	548
Other	8	—	8
Net cash (used in) provided by investing activities	(400)	(386)	142
Financing activities			
Proceeds from issuance of debt	1,074	819	1,378
Repurchase of debt	(1,225)	(1,387)	(1,889)
Proceeds from borrowings on ABL facility	1,355	995	360
Repayment of borrowings on ABL facility	(1,455)	(925)	(330)
Repayment of long-term debt and capital leases	(119)	(106)	(151)
Payment of debt issuance costs	(10)	(17)	(26)
Proceeds from forward sale settlement	349	—	—
Proceeds from common stock offerings	—	288	—
Repurchase of common stock	(536)	—	—
Change in bank overdrafts	—	(3)	(17)
Payment for tax withholdings for restricted shares	(53)	(17)	(11)
Dividends paid	(8)	(7)	(5)
Other	8	(6)	10
Net cash used in financing activities	(620)	(366)	(681)
Effect of exchange rates on cash, cash equivalents and restricted cash	(17)	16	(4)
Net increase in cash, cash equivalents and restricted cash	65	49	79
Cash, cash equivalents and restricted cash, beginning of year	449	400	321
Cash, cash equivalents and restricted cash, end of year	\$ 514	\$ 449	\$ 400
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 233	\$ 274	\$ 363
Cash paid for income taxes	\$ 70	\$ 79	\$ 41

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Changes in Equity

For the Three Years Ended December 31, 2018, 2017 and 2016

	Series A Preferred Stock		Common Stock				Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit				
<i>(Shares in thousands, dollars in millions)</i>										
Balance as of December 31, 2015	73	\$ 42	109,523	\$ —	\$ 3,212	\$ (465)	\$ (72)	\$ 2,717	\$ 344	\$ 3,061
Net income	—	—	—	—	—	69	—	69	16	85
Other comprehensive loss	—	—	—	—	—	—	(122)	(122)	(19)	(141)
Repurchase of noncontrolling interest	—	—	—	—	3	—	—	3	—	3
Exercise and vesting of stock compensation awards	—	—	1,298	—	10	—	—	10	—	10
Tax withholdings related to vesting of stock compensation	—	—	—	—	(11)	—	—	(11)	—	(11)
Conversion of Series A preferred stock to common stock	(1)	—	93	—	—	—	—	—	—	—
Issuance of common stock upon conversion of convertible senior notes, net of tax	—	—	173	—	3	—	—	3	—	3
Dividend paid	—	—	—	—	—	(3)	—	(3)	(3)	(6)
Adoption of stock compensation standard	—	—	—	—	1	6	—	7	—	7
Stock compensation expense	—	—	—	—	27	—	—	27	—	27
Balance as of December 31, 2016	72	\$ 42	111,087	\$ —	\$ 3,245	\$ (393)	\$ (194)	\$ 2,700	\$ 338	\$ 3,038
Net income	—	—	—	—	—	340	—	340	20	360
Other comprehensive income	—	—	—	—	—	—	223	223	52	275
Exercise and vesting of stock compensation awards	—	—	728	—	1	—	—	1	—	1
Tax withholdings related to vesting of stock compensation awards	—	—	—	—	(17)	—	—	(17)	—	(17)
Issuance of common stock from offering	—	—	5,000	—	288	—	—	288	—	288
Conversion of Series A preferred stock to common stock	—	(1)	103	—	1	—	—	—	—	—
Issuance of common stock upon conversion of convertible senior notes, net of tax	—	—	3,002	—	49	—	—	49	—	49
Dividend paid	—	—	—	—	—	(3)	—	(3)	(4)	(7)
Impact of tax reform act	—	—	—	—	—	13	(13)	—	—	—
Stock compensation expense	—	—	—	—	23	—	—	23	—	23
Balance as of December 31, 2017	72	\$ 41	119,920	\$ —	\$ 3,590	\$ (43)	\$ 16	\$ 3,604	\$ 406	\$ 4,010

	Series A Preferred Stock		Common Stock				Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount						
<i>(Shares in thousands, dollars in millions)</i>												
Balance as of December 31, 2017	72	\$ 41	119,920	\$ —	\$ 3,590	(43)	\$ 16	\$ 3,604	\$ 406	\$ 4,010		
Net income	—	—	—	—	—	422	—	422	22	444		
Other comprehensive loss	—	—	—	—	—	—	(170)	(170)	(27)	(197)		
Exercise and vesting of stock compensation awards	—	—	995	—	1	—	—	1	—	1		
Tax withholdings related to vesting of stock compensation awards	—	—	—	—	(53)	—	—	(53)	—	(53)		
Issuance of common stock from forward sale settlement	—	—	6,000	—	349	—	—	349	—	349		
Retirement of common stock	—	—	(11,314)	—	(608)	—	—	(608)	—	(608)		
Dividend paid	—	—	—	—	—	(3)	—	(3)	(6)	(9)		
Stock compensation expense	—	—	—	—	30	—	—	30	—	30		
Other	—	—	82	—	2	1	—	3	—	3		
Balance as of December 31, 2018	72	\$ 41	115,683	\$ —	\$ 3,311	\$ 377	\$ (154)	\$ 3,575	\$ 395	\$ 3,970		

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018, 2017 and 2016

1. Organization

Nature of Operations

XPO Logistics, Inc. and its subsidiaries (“XPO” or the “Company”) uses an integrated network of people, technology and physical assets to help customers manage their goods most efficiently through their supply chains. The Company’s customers are multinational, national, mid-size and small enterprises. XPO runs its business on a global basis, with two reportable segments: Transportation and Logistics. See **Note 4—Segment Reporting and Geographic Information** to our consolidated financial statements for further information on the Company’s segments.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions 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. Certain reclassifications have been made to prior year amounts to conform to the current year’s presentation.

Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and variable interest entities (“VIEs”) for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated in the consolidated financial statements.

If the Company determines that it has a variable interest in a VIE, the Company then evaluates if it is the primary beneficiary of the VIE. The evaluation assesses whether the Company has the power to direct the activities that significantly affect the VIE’s economic performance, including having operational control over each VIE and operating the VIEs under the XPO brand or policies. 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. 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. Other than the special purpose entity which the Company consolidates related to the European Trade Securitization Program discussed in **Note 11—Debt**, assets and liabilities of VIEs for which the Company is the primary beneficiary are not significant to the Company’s consolidated financial statements.

The Company has 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. Income or loss attributable to noncontrolling interests is deducted from net income/loss to determine net income/loss attributable to XPO. The noncontrolling interests reflected in our consolidated financial statements primarily relate to the 13.75% minority interest in Norbert Dentressangle SA (“ND”).

Recast of Financial Information Due to Adoption of New Accounting Guidance

In March 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-07, Compensation - Retirement Benefits (Topic 715): “Improving the Presentation of Net Periodic Pension

Cost and Net Periodic Postretirement Benefit Cost.” The ASU changes how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the cost of the benefits in the Consolidated Statements of Income. This cost, commonly referred to as the “net periodic benefit cost,” is comprised of several components that reflect different aspects of the arrangement with the employee, including the effect of the related funding.

Previously, the Company aggregated the various components of the net periodic benefit cost (including interest cost and the expected return on plan assets) for presentation purposes and had included these costs within Operating income in the Consolidated Statements of Income. Under the new guidance, these costs are presented below Operating income. The Company adopted the standard on January 1, 2018 and recast prior periods to reflect the new presentation. The adoption of the standard had no impact on Net income. The amount of net periodic pension income included in Other expense (income) was \$72 million, \$42 million and \$24 million for the years ended December 31, 2018, 2017 and 2016, respectively.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): “Restricted Cash.” The ASU requires that the statement of cash flows reconcile the change during the period in the total of cash, cash equivalents and restricted cash. The Company adopted this standard on January 1, 2018 and applied its provisions retrospectively. The adoption of this standard reduced cash flows provided by operating activities by \$14 million and \$3 million for the years ended December 31, 2017 and 2016, respectively, and reduced cash flows used by investing activities by \$39 million on the Consolidated Statements of Cash Flows for the year ended December 31, 2017.

Significant Accounting Policies

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Topic 606. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The following is a description of the Company’s performance obligations for the transportation and logistics reportable segments.

Transportation

The Company’s transportation segment generates revenue from providing freight brokerage and other transportation services for its customers. Certain accessorial services may be provided to customers under their transportation contracts, such as unloading and other incidental services. The transaction price is based on the consideration specified in the customer’s contract.

A performance obligation is created when a customer under a transportation contract submits a bill of lading for the transport of goods from origin to destination. These performance obligations are satisfied as the shipments move from origin to destination. Transportation revenue is recognized proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. Some of the customer contracts contain a promise to stand ready, as the Company is obligated to provide transportation services for the customer. For these contracts, the Company recognizes revenue on a straight-line basis over the term of the contract because the pattern of benefit to the customer, as well as the Company’s efforts to fulfill the contract, are generally distributed evenly throughout the period. Performance obligations are short-term, with transit days less than one week. Generally, customers are billed either upon shipment of the freight or on a monthly basis, and remit payment according to approved payment terms. The Company recognizes revenue on a net basis when the Company does not control the specific services.

Logistics

The Company’s logistics segment generates revenue from providing supply chain services for its customers, including warehousing, distribution, order fulfillment, packaging, reverse logistics and inventory management contracts ranging from a few months to a few years. The Company’s performance obligations are satisfied over time as customers simultaneously receive and consume the benefits of the Company’s services. The contracts contain a single performance obligation, as the distinct services provided remain substantially the same over time and possess

the same pattern of transfer. The transaction price is based on the consideration specified in the contract with the customer and contains fixed and variable consideration. In general, the fixed consideration component of a contract represents reimbursement for facility and equipment costs incurred to satisfy the performance obligation and is recognized on a straight-line basis over the term of the contract. The variable consideration component is comprised of cost reimbursement, per-unit pricing or time and materials pricing and is determined based on the costs, units or hours of services provided, respectively, and is recognized over time based on the level of activity.

Generally, the Company's contracts contain provisions for adjustments to pricing based on achieving agreed-upon performance metrics, changes in volumes, services and market conditions. Revenue relating to these pricing adjustments is estimated and included in the consideration if it is probable that a significant revenue reversal will not occur in the future. The estimate of variable consideration is determined either by the expected value or most likely amount method and factors in current, past and forecasted experience with the customer. Customers are billed based on terms specified in the revenue contract and remit payment according to approved payment terms.

Cash, Cash Equivalents and Restricted Cash

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. As of December 31, 2018, 2017 and 2016, the total amount of restricted cash included in Other long-term assets on the Consolidated Balance Sheets was \$12 million, \$52 million and \$26 million, respectively. Restricted cash as of December 31, 2017 was primarily comprised of tax-deferred proceeds from a property sale in 2017; this amount was reclassified in 2018. As discussed above, in accordance with the adoption of ASU 2016-18, restricted cash was included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the contractual amount. In determining the allowance for doubtful accounts, the Company considers historical collection experience, the age of the accounts receivable balances, the 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 customers' ability to pay. The Company writes off accounts receivable balances once the receivables are no longer deemed collectible.

The roll-forward of the allowance for doubtful accounts is as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2018	2017	2016
Beginning balance	\$ 42	\$ 26	\$ 17
Provision charged to expense	36	24	15
Write-offs, less recoveries, and other adjustments	(26)	(8)	(6)
Ending balance	<u>\$ 52</u>	<u>\$ 42</u>	<u>\$ 26</u>

Receivables securitization and factoring

The Company uses trade accounts receivables securitization and factoring programs in the normal course of business as part of managing its cash flows. The Company accounts for transfers under its factoring arrangements as sales because the Company sells full title and ownership in the underlying receivables and has met the criteria for control of the receivables to be considered transferred. The Company accounts for transfers under its securitization program as either sales or secured borrowings based on an evaluation of whether it has transferred control. In instances where the Company does not meet the criteria for surrender of control, the transaction is accounted for as a secured borrowing. For these transactions, the receivables remain on the Consolidated Balance Sheets of the Company and the notes are reflected within debt, see **Note 11—Debt** for additional information related to the Company's receivables securitization secured borrowing program. For transfers in the securitization program where the Company has surrendered control, the transactions are accounted for as sales and the receivables are derecognized from the Consolidated Balance Sheets at the date of transfer. In the securitization and factoring arrangements, any

continuing involvement is limited to servicing the receivables. The fair value of any servicing assets and liabilities is immaterial.

For transfers under the securitization program which are accounted for as sales, the consideration received includes a simultaneous cash payment and a deferred purchase price receivable. The deferred purchase price receivable is not a trade receivable and it is recorded based on its fair value and reported within Other current assets in the Company's Consolidated Balance Sheets. The cash payment which the Company receives on the date of the transfer is reflected within Net cash provided by operating activities. As the Company receives cash payments on the deferred purchase price receivable, it is reflected as an investing activity. As of December 31, 2018, the balance of deferred purchase price receivable reflected within Other current assets was \$52 million. There was no deferred purchase price receivable balance as of December 31, 2017.

As of December 31, 2018, in connection with the securitization program, the Company sold receivables of \$231 million and received cash of \$179 million and a deferred purchase price receivable of \$52 million. For the Company's factoring programs, as of December 31, 2018, the Company sold receivables of \$248 million and received cash of \$246 million. As of December 31, 2017, for the Company's factoring programs, the Company sold receivables of \$119 million and received cash of \$119 million. The cost of participating in these programs was immaterial to the Company's results of operations for the years ended December 31, 2018, 2017 and 2016.

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. For internally-developed computer software, all costs incurred during planning and evaluation are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized 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, containers, tractors, trailers and tankers	3 to 14 years
Rail cars and chassis	15 to 30 years
Machinery and equipment	3 to 10 years
Computer software and equipment	1 to 6 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. Goodwill is evaluated for impairment annually, or more frequently if events or circumstances indicate an impairment. Under ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): "Simplifying the Accounting for Goodwill Impairment," which the Company adopted in connection with its annual goodwill impairment test as of August 31, 2017, goodwill impairment, if any, is measured at the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill.

Accounting guidance allows entities to perform a qualitative assessment (a "step-zero" test) before performing a quantitative analysis. If an entity determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the entity does not need to perform the quantitative analysis. The qualitative assessment includes a review of macroeconomic conditions, industry and market considerations, internal cost factors, and overall financial performance, among other factors.

For the 2018 goodwill assessment, the Company performed a step-zero qualitative analysis for all six reporting units. For the 2017 goodwill assessment, the Company performed a step-zero qualitative analysis for five of its reporting units and elected to proceed directly to a step one quantitative analysis for one reporting unit. Based on the qualitative assessments performed each year, the Company concluded that it is not more likely than not that the fair value of the reporting units was less than their carrying amounts, and therefore, further quantitative analysis was not performed. For the years ended December 31, 2018 and 2017, the Company did not recognize any goodwill impairment.

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.

Intangible Assets

The Company's intangible assets subject to amortization consist of customer relationships 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 by type are as follows:

Classification	Estimated Useful Life
Customer relationships	5 to 16 years
Non-compete agreements	Term of agreement

Accrued Expenses

Accrued expenses include the following components:

<i>(In millions)</i>	As of December 31,	
	2018	2017
Accrued salaries and wages	\$ 539	\$ 581
Accrued transportation and facility charges	462	438
Accrued value-added tax and other taxes	172	176
Other accrued expenses	307	331
Total accrued expenses	<u>\$ 1,480</u>	<u>\$ 1,526</u>

Self-Insurance

The Company uses a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of medical, casualty, liability, vehicular, cargo and workers' compensation claims. The Company periodically evaluates its level of insurance coverage and adjusts its 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 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 affect actual costs paid to settle the claims and those amounts may be different than estimates.

Advertising Costs

Advertising costs are expensed as incurred.

Stockholders' Equity

The Company has a share repurchase program under which shares purchased are retired and returned to authorized and unissued status. Any excess of cost over par value is charged to Additional paid-in capital to the extent that a balance is present. If Additional paid-in capital is fully depleted, any remaining excess of cost over par value will be charged to Retained earnings.

Accumulated Other Comprehensive Income

The components of and changes in accumulated other comprehensive income ("AOCI"), net of tax for the years ended December 31, 2018 and 2017, are as follows:

<i>(In millions)</i>	Foreign Currency Translation Adjustments	Derivative Hedges	Defined Benefit Plans Liability	Less: AOCI Attributable to Noncontrolling Interests	AOCI Attributable to the Company
As of December 31, 2016	\$ (206)	\$ —	\$ (13)	\$ 25	\$ (194)
Other comprehensive income	180	10	92	(52)	230
Amounts reclassified from AOCI	—	(5)	(2)	—	(7)
Net current period other comprehensive income	180	5	90	(52)	223
Impact of tax reform act	(17)	2	2	—	(13)
As of December 31, 2017	(43)	7	79	(27)	16
Other comprehensive (loss) income	(96)	12	(89)	27	(146)
Amounts reclassified from AOCI	(4)	(18)	(2)	—	(24)
Net current period other comprehensive loss	(100)	(6)	(91)	27	(170)
As of December 31, 2018	\$ (143)	\$ 1	\$ (12)	\$ —	\$ (154)

Income Taxes

The Company accounts for income taxes in accordance with FASB Accounting Standards Codification ("ASC") Topic 740: "Income Taxes." Income taxes and effective tax rates are calculated on a legal entity and jurisdictional basis relying on several factors, including pre-tax earnings, differences between tax laws and accounting rules, statutory tax rates, tax credits, uncertain tax positions, and valuation allowances. The Company uses judgment and estimates in evaluating its tax positions.

Under ASC 740, deferred income taxes arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the Consolidated Financial Statements. Valuation allowances are established when, in management's judgment, it is more likely than not that its deferred tax assets will not be realized. In assessing the need for a valuation allowance, management weighs the available positive and negative evidence, including limitations on the use of tax losses and other carryforwards due to changes in ownership, historic information, and projections of future taxable income that include and exclude future reversals of taxable temporary differences. The Company has elected to record Global Intangible Low-Taxed Income as a period cost.

The Company's tax returns are subject to examination by U.S. Federal, state and foreign taxing jurisdictions. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in a Company's financial statements and prescribes a recognition threshold with measurement attributes for income tax positions taken or expected to be taken on a tax return. Under ASC 740, the impact of an uncertain tax position taken or expected to be taken on an income tax return must be recognized in the financial statements at the largest amount estimated to be sustained under the more likely than not principle. An uncertain income tax position will not be recognized in the financial statements if it does not meet the stated criteria. The Company adjusts these tax liabilities, including related interest and penalties, based on the current facts and circumstances. Recently enacted tax law changes, published rulings,

court cases, and outcomes of tax audits are all considered. While the Company does not expect material changes, it is possible that its actual tax liability will differ from its established tax liabilities for unrecognized tax benefits which may impact its effective tax rate. While it is often difficult to predict the outcome of any particular tax position, the Company believes that its tax provisions reflect the more likely than not outcome of known tax contingencies. The Company reports tax-related interest and penalties as a component of income tax expense.

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 AOCI on 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 Income 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 (gain) in the Consolidated Statements of Income.

Foreign currency loss (gain) included in the Consolidated Statements of Income consisted of the following:

<i>(In millions)</i>	Years Ended December 31,		
	2018	2017	2016
Unrealized foreign currency option and forward contracts (gains) losses	\$ (20)	\$ 49	\$ (40)
Realized foreign currency option and forward contracts losses (gains)	16	15	(3)
Foreign currency transaction and remeasurement losses (gains)	7	(6)	3
Total foreign currency loss (gain)	<u>\$ 3</u>	<u>\$ 58</u>	<u>\$ (40)</u>

Fair Value Measurements

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 fair value estimates are based upon certain market assumptions and information available to management. The carrying value of the following financial instruments approximated their fair values as of December 31, 2018 and 2017: cash and cash equivalents, accounts receivable, deferred purchase price related to accounts receivable sold, accounts payable, accrued expenses and current maturities of long-term debt. Fair values approximate carrying values for these financial instruments, as they are short-term in nature and/or 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 derivative instruments and financial liabilities, refer to **Note 10—Derivative Instruments** and **Note 11—Debt**, respectively.

The following table summarizes the fair value hierarchy of cash equivalents:

<i>(In millions)</i>	As of December 31, 2018			
	Carrying Value	Fair Value	Level 1	Level 2
Cash equivalents	\$ 237	\$ 237	\$ 236	\$ 1

<i>(In millions)</i>	As of December 31, 2017			
	Carrying Value	Fair Value	Level 1	Level 2
Cash equivalents	\$ 90	\$ 90	\$ 74	\$ 16

Derivative Instruments

The Company records all derivative instruments on 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 gain or loss resulting from fair value adjustments on cash flow hedges are recorded in AOCI on the Consolidated Balance Sheets until the hedged item is recognized in earnings and is presented in the same income statement line item as the earnings effect of the hedged item. The gains and losses on the net investment hedges are recorded as cumulative translation adjustments in AOCI to the extent that the instruments are effective in hedging the designated risk. Gains and losses on cash flow hedges and net investment hedges representing hedge components excluded from the assessment of effectiveness will be amortized into Interest expense in the Consolidated Statements of Income in a systematic manner. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings and are recorded in Foreign currency loss (gain) in the Consolidated Statements of Income.

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 available information regarding historical experience and factors that may cause future expectations to differ. 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 AOCI 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-based 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 accounts for forfeitures as they occur.

The weighted-average fair value of each stock option is amortized over the requisite service period. For options with graded vesting, we recognize compensation cost on a straight-line basis over the requisite service period of 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 as of that date. For the Company's performance-based restricted stock units

(“PRUs”), 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 PRU award is not considered probable, then no expense is recognized until achievement of such targets becomes probable.

Adoption of New Accounting Standards

Refer to *Recast of Financial Information Due to Adoption of New Accounting Guidance* above for a discussion of ASUs 2017-07 and 2016-18.

In May 2014, the FASB issued ASU 2014-09, Revenue (Topic 606): “Revenue from Contracts with Customers.” Topic 606 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. As discussed further in **Note 5—Revenue Recognition**, the Company adopted Topic 606 on January 1, 2018.

In August 2016, the FASB issued ASU 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 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. The Company adopted this standard on January 1, 2018. Adoption was on a prospective basis and did not have a material effect on the Company’s Consolidated Statements of Cash Flows.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): “Scope of Modification Accounting.” This ASU provides guidance about the changes to the terms or conditions of a share-based payment award that require an entity to apply modification accounting. Under the new standard, modification accounting applies unless all of the following conditions are met: (i) the fair value of the modified award is the same as the fair value of the original award immediately before the modification; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the modification; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. Generally speaking, modification accounting requires an entity to calculate and recognize the incremental fair value of the modified award as compensation cost on the date of modification (for a vested award) or over the remaining service period (for an unvested award). The impact of this guidance, which was applied prospectively on January 1, 2018, is dependent on future modifications, if any, to the Company’s share-based payment awards.

In March 2018, the FASB issued ASU 2018-05, Income Taxes (Topic 740): “Amendments to Securities and Exchange Commission (“SEC”) Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118.” The ASU amends ASC 740 to provide further guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the “Tax Act”) and allows for the recognition of provisional amounts in the event that a company does not have the necessary information available, prepared or analyzed to finalize its accounting under ASC 740. ASU 2018-05 allows for adjustments to provisional amounts in multiple reporting periods during the allowable one-year measurement period from the Tax Act enactment date. This standard was adopted upon issuance. The reduction in the U.S. corporate federal statutory tax rate from 35% to 21% required a one-time revaluation of our net deferred tax liabilities resulting in the Company recording a tax benefit of \$173 million as of December 31, 2017. No modifications were required during 2018.

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): “Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans.” The ASU includes the removal of the requirement to disclose the amounts in AOCI expected to be recognized in expense over the next fiscal year and the effects of a one-percentage point change in assumed healthcare cost trend

rates. Additionally, it requires the disclosure of an explanation of the reasons for significant gains/losses related to a change in the benefit obligation. The Company early-adopted ASU 2018-14 in the fourth quarter of 2018. The adoption, which is limited to disclosures only, will not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Issued but Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize on its Consolidated Balance Sheets the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the balance sheet 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. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, which clarified certain aspects of ASU 2016-02. Also, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): "Targeted Improvements," which provides an optional transition method to allow entities, on adoption of ASU 2016-02, to report prior periods under previous lease accounting guidance. The Company will adopt Topic 842 effective January 1, 2019 using the transition method provided by ASU 2018-11, and the Company estimates the adoption will result in the recognition of a right-of-use asset and corresponding lease liability for operating leases of approximately \$2 billion on the Consolidated Balance Sheets. The Company will elect the package of practical expedients on adoption, which will retain the lease identification, classification and initial direct costs for leases that commenced prior to the adoption date. Additionally, the Company will elect the recognition exemption which allows the Company to not recognize lease assets and lease liabilities on the Consolidated Balance Sheet for leases with an initial term of 12 months or less and to not separate associated lease and non-lease components within a contract as permitted by the standards.

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within that reporting period; however, early adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

3. Divestitures

North American Truckload Operation

In October 2016, pursuant to a Stock Purchase Agreement between the Company and a subsidiary of TransForce Inc. ("TransForce"), the Company divested its North American Truckload operation (formerly known as Con-way Truckload) for a \$558 million cash consideration, subject to certain adjustments. For the period from January 1, 2016 through October 26, 2016, these North American Truckload operation generated revenue of \$432 million (prior to intercompany eliminations) and operating income of \$32 million. The North American Truckload operation was included in the Company's Transportation segment through the date of sale. As the proceeds from the sale equaled the carrying value (inclusive of goodwill), there was no gain or loss recognized in connection with this divestiture.

4. Segment Reporting and Geographic Information

The Company is organized into two reportable segments: Transportation and Logistics.

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

In the Logistics segment, which we also refer to as supply chain, the Company provides differentiated and data-intensive contract logistics services for customers, including value-added warehousing and distribution, e-commerce

fulfillment, cold chain solutions, reverse logistics, packaging and labeling, factory support, aftermarket support, inventory management and personalization services, such as laser etching. In addition, the Logistics segment provides highly engineered, customized solutions and supply chain optimization services, such as volume flow management, predictive analytics and advanced automation.

Certain of the Company’s operating units provide services to other Company operating units outside of their reportable segment. Billings for such services are based on negotiated rates, which approximates fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in the Company’s consolidated results.

Corporate includes corporate headquarters costs for executive officers and certain legal and financial functions, as well as certain other costs and credits not attributed to the Company’s core business. These costs are not allocated to the business segments.

The Company’s 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 the Company’s assets are managed at the corporate level.

The Company evaluates performance based on the various financial measures of its two reporting segments. The following table identifies selected financial data for the years ended December 31, 2018, 2017 and 2016:

<i>(In millions)</i>	Transportation	Logistics	Corporate	Eliminations	Total
Year Ended December 31, 2018 ⁽¹⁾					
Revenue	\$ 11,343	\$ 6,065	\$ —	\$ (129)	\$ 17,279
Operating income (loss)	646	216	(158)	—	704
Depreciation and amortization	461	244	11	—	716
Year Ended December 31, 2017 ⁽¹⁾					
Revenue	\$ 10,276	\$ 5,229	\$ —	\$ (124)	\$ 15,381
Operating income (loss)	547	202	(167)	—	582
Depreciation and amortization	447	203	8	—	658
Year Ended December 31, 2016 ⁽¹⁾					
Revenue	\$ 9,976	\$ 4,761	\$ —	\$ (118)	\$ 14,619
Operating income (loss)	459	165	(160)	—	464
Depreciation and amortization	456	185	2	—	643

(1) Certain minor organizational changes were made in 2018 related to the Company’s managed transportation business. Managed transportation previously had been included in the Logistics segment; as of January 1, 2018, it is reflected in the Transportation segment. Prior period information was recast to conform to the current year presentation.

For information regarding revenues generated by geographical area, refer to **Note 5—Revenue Recognition**.

As of December 31, 2018 and 2017, the Company held long-lived tangible assets outside of the United States of \$776 million and \$848 million, respectively.

5. Revenue Recognition

Adoption of Topic 606, “Revenue from Contracts with Customers”

On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to those contracts that were not completed as of the adoption date. The Company recorded an immaterial adjustment to opening Retained earnings as of January 1, 2018 for the cumulative impact of adoption related to the recognition of in-transit revenue in its Transportation segment. Results for 2018 are presented under Topic 606, while prior periods were not adjusted and are reported under Topic 605 “Revenue Recognition.” The adoption of Topic 606 did not have a material impact on the Consolidated Financial Statements as of the adoption date or for the year ended

December 31, 2018. Under Topic 605, for the Company's Transportation segment, with the exception of the LTL business, revenue was recognized at the point in time when delivery was complete and the shipping terms of the contract were satisfied.

Disaggregation of Revenues

The Company disaggregates its revenue by geographic area and service offering. The following tables present the Company's revenue disaggregated by geographical area based on sales office location:

<i>(In millions)</i>	Year Ended December 31, 2018			
	Transportation	Logistics	Eliminations	Total
Revenue				
United States	\$ 8,055	\$ 2,196	\$ (19)	\$ 10,232
North America (excluding United States)	274	67	—	341
France	1,496	687	(18)	2,165
United Kingdom	704	1,436	(70)	2,070
Europe (excluding France and United Kingdom)	793	1,584	(18)	2,359
Other	21	95	(4)	112
Total	<u>\$ 11,343</u>	<u>\$ 6,065</u>	<u>\$ (129)</u>	<u>\$ 17,279</u>

<i>(In millions)</i>	Year Ended December 31,	
	2017	2016
Revenue		
United States	\$ 9,163	\$ 8,758
North America (excluding United States)	298	322
France	2,006	1,903
United Kingdom	1,799	1,701
Europe (excluding France and United Kingdom)	1,930	1,644
Other	185	291
Total	<u>\$ 15,381</u>	<u>\$ 14,619</u>

The following table presents the Company's revenue disaggregated by service offering:

<i>(In millions)</i>	Year Ended December 31, 2018
Transportation:	
Freight brokerage and truckload	\$ 4,784
LTL	4,839
Last mile ⁽¹⁾	1,065
Managed transportation	462
Global forwarding	338
Transportation eliminations	(145)
Total Transportation segment revenue	11,343
Total Logistics segment revenue	6,065
Intersegment eliminations	(129)
Total revenue	<u>\$ 17,279</u>

(1) Comprised of the Company's North American last mile operations.

Contract Balances and Costs

The Company did not have material contract assets, liabilities or costs associated with arrangements with its customers as of December 31, 2018 or December 31, 2017. The Company did not recognize a material amount of revenue during the year ended December 31, 2018 that was deferred as of December 31, 2017. The Company applies the practical expedient in Topic 606 that permits the recognition of incremental costs of obtaining contracts as an expense when incurred, if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in Direct operating expense.

Transaction Price Allocated to Remaining Performance Obligation

On December 31, 2018, the fixed consideration component of the Company's remaining performance obligation was approximately \$1.5 billion, of which the Company expects to recognize approximately 80% over the next three years and the remainder thereafter. Most of the remaining performance obligation relates to the Logistics reportable segment. The Company applies the disclosure exemption in Topic 606 that permits the omission of remaining performance obligations that either: (i) have original expected durations of one year or less, or (ii) contain variable consideration. The Company's remaining performance obligations related to variable consideration will be satisfied over the remaining tenure of contracts based on the volume of services provided. Remaining performance obligations are estimates made at a point in time and actual amounts may differ from these estimates due to changes in foreign currency exchange rates and contract revisions and terminations.

6. Restructuring Charges

In 2018, management approved a restructuring plan to leverage its resources and existing infrastructure to further streamline its organization. Exit costs primarily consisting of severance were recorded as part of this global initiative. The initiatives are intended to improve the Company's efficiency and profitability. The following table sets forth the restructuring-related activity:

<i>(In millions)</i>	Year ended December 31, 2018		Reserve Balance as of December 31, 2018
	Charges Incurred	Payments	
Severance			
Transportation	\$ 12	\$ (3)	\$ 9
Logistics	6	(1)	5
Corporate	3	(1)	2
Total	<u>\$ 21</u>	<u>\$ (5)</u>	<u>\$ 16</u>

Restructuring charges in 2018 were \$21 million, of which \$19 million was recorded in the fourth quarter of 2018. With respect to the \$21 million charge, \$1 million was recorded in Direct operating expenses and \$20 million in SG&A in the Consolidated Statements of Income. The Company expects the majority of the cash outlays under the 2018 approved plan will be substantially complete by the end of 2019.

Prior to 2018, in conjunction with various acquisitions, the Company had initiated severance programs to reduce headcount and improve the Company's efficiency and profitability. As of December 31, 2017, the reserves remaining under these severance programs were \$14 million for the Transportation segment, \$5 million for the Logistics segment and \$1 million for Corporate. The cash outlays related to the 2017 reserve balance were substantially complete by the end of 2018 with no adjustments to the reserves.

7. Property and Equipment

The following table outlines the Company's property and equipment:

<i>(In millions)</i>	December 31,	
	2018	2017
Property and equipment		
Land	\$ 356	\$ 410
Buildings and leasehold improvements	555	558
Vehicles, tractors, trailers and tankers	1,561	1,464
Machinery and equipment	809	648
Computer software and equipment	909	694
	<u>4,190</u>	<u>3,774</u>
Less: accumulated depreciation and amortization	(1,585)	(1,110)
Total property and equipment, net	<u>\$ 2,605</u>	<u>\$ 2,664</u>

Depreciation of property and equipment and amortization of computer software was \$546 million, \$488 million and \$466 million for the years ended December 31, 2018, 2017 and 2016, respectively. Assets represented by capital leases, net of accumulated depreciation, were \$296 million and \$244 million as of December 31, 2018 and 2017, respectively, and are included primarily in vehicles, tractors, trailers and tankers. Property and equipment acquired through capital leases was \$111 million, \$145 million and \$71 million in 2018, 2017 and 2016, respectively. The net book value of capitalized internally-developed software totaled \$263 million and \$206 million as of December 31, 2018 and 2017, respectively.

8. Goodwill

The following is a summary of the changes in the gross carrying amounts of goodwill by segment:

<i>(In millions)</i>	Transportation	Logistics	Total
Goodwill as of December 31, 2016 ⁽¹⁾	\$ 2,420	\$ 1,906	\$ 4,326
Impact of foreign exchange translation	107	131	238
Goodwill as of December 31, 2017	2,527	2,037	4,564
Impact of foreign exchange translation	(7)	(90)	(97)
Goodwill as of December 31, 2018	<u>\$ 2,520</u>	<u>\$ 1,947</u>	<u>\$ 4,467</u>

- (1) Certain minor organizational changes were made in 2018 related to the Company's managed transportation business. Managed transportation's goodwill previously had been included in the Logistics segment; as of January 1, 2018, it is reflected in the Transportation segment. Prior period information was recast to conform to the current year presentation. This resulted in \$69 million of goodwill being reflected in the Transportation segment as of December 31, 2016, previously reflected in the Logistics segment.

9. Intangible Assets

The following table outlines the Company's identifiable intangible assets:

<i>(In millions)</i>	December 31, 2018		December 31, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangibles				
Customer relationships	\$ 1,891	\$ 640	\$ 1,924	\$ 494
Trade name	52	52	54	52
Non-compete agreements	16	14	17	14
	<u>\$ 1,959</u>	<u>\$ 706</u>	<u>\$ 1,995</u>	<u>\$ 560</u>

Estimated future amortization expense for amortizable intangible assets for the next five years is as follows:

<i>(In millions)</i>	2019	2020	2021	2022	2023	Thereafter
Estimated amortization expense	\$ 151	\$ 145	\$ 138	\$ 128	\$ 111	\$ 580

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 SG&A was \$159 million, \$164 million and \$174 million for the years ended December 31, 2018, 2017 and 2016, respectively.

10. 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 these exposures, 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 exchange rates and interest rates. These financial instruments are not used for trading or other speculative purposes. Historically, the Company has not 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 the cash flows of the 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 account on the Consolidated Balance Sheets in which the Company's derivative instruments have been recognized and the related notional amounts and fair values:

<i>(In millions)</i>	December 31, 2018				
	Notional Amount	Derivative Assets		Derivative Liabilities	
		Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Derivatives designated as hedges:					
Cross-currency swap agreements	\$ 1,270	Other long-term assets	\$ —	Other long-term liabilities	\$ (81)
Derivatives not designated as hedges:					
Foreign currency option contracts	473	Other current assets	7	Other current liabilities	—
Total			<u>\$ 7</u>		<u>\$ (81)</u>

<i>(In millions)</i>	December 31, 2017				
	Notional Amount	Derivative Assets		Derivative Liabilities	
		Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Derivatives designated as hedges:					
Cross-currency swap agreements	\$ 1,304	Other long-term assets	\$ —	Other long-term liabilities	\$ (146)
Derivatives not designated as hedges:					
Foreign currency option and forward contracts	1,038	Other current assets	2	Other current liabilities	(16)
Total			<u>\$ 2</u>		<u>\$ (162)</u>

The derivatives are classified as Level 2 within the fair value hierarchy. The derivatives are valued using inputs other than quoted prices, such as foreign exchange rates and yield curves.

The effect of derivative instruments designated as hedges and nonderivatives designated as hedges in the Consolidated Statements of Income for the years ended December 31, 2018, 2017, and 2016 are as follows:

<i>(In millions)</i>	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative			Amount of Gain (Loss) Reclassified from AOCI into Net Income		Amount of Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)	
	2018	2017	2016	2018	2017	2018	2017
Derivatives designated as cash flow hedges:							
Cross-currency swap agreements	\$ 13	\$ (21)	\$ —	\$ 17	\$ (3)	\$ 1	\$ —
Interest rate swaps	—	2	5	—	—	—	—
Derivatives designated as net investment hedges:							
Cross-currency swap agreements	52	(100)	15	—	—	4	8
Nonderivatives designated as hedges:							
Foreign currency denominated notes	—	8	(27)	—	—	—	—
Total	\$ 65	\$ (111)	\$ (7)	\$ 17	\$ (3)	\$ 5	\$ 8

The amounts excluded from effectiveness testing for the cross-currency swap agreements were \$2 million and \$3 million of loss in AOCI for derivatives designated as cash flow hedges as of December 31, 2018 and 2017, respectively, and \$32 million and \$44 million of loss in AOCI for derivatives designated as net investment hedges as of December 31, 2018 and 2017, respectively. There were no gains (losses) reclassified out of AOCI into Net income for the year ended December 31, 2016.

The pre-tax gain (loss) recognized in earnings for foreign currency option and forward contracts not designated as hedging instruments was \$4 million, \$(64) million and \$43 million for the years ended December 31, 2018, 2017 and 2016, respectively. These amounts are recorded in Foreign currency loss (gain) in the Consolidated Statements of Income.

Cross-Currency Swap Agreements

In May 2017, the Company entered into certain cross-currency swap agreements to manage the foreign currency exchange risk related to the Company's international operations by effectively converting the fixed-rate U.S. Dollar ("USD")-denominated 6.125% senior notes due 2023 ("Senior Notes due 2023") (see **Note 11—Debt**), including the associated semi-annual interest payments, to fixed-rate, Euro ("EUR")-denominated debt. The risk management objective of these transactions 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 the Senior Notes due 2023.

During the term of the swap contracts, the Company will receive quarterly interest payments in March, June, September and December of each year from the counterparties based on USD fixed interest rates, and the Company will make quarterly interest payments in March, June, September 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.

In 2015, in connection with the issuance of the 6.50% senior notes due 2022 ("Senior Notes due 2022"), the Company entered into certain cross-currency swap agreements to manage the foreign currency exchange risk related to the Company's international operations by effectively converting a portion of the fixed-rate USD-denominated Senior Notes due 2022, including the associated semi-annual interest payments, to fixed-rate, EUR-denominated debt. The risk management objective of the agreements is to manage the Company's foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies and reduce the variability in the functional currency equivalent cash flows for 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. In the fourth quarter of 2017, and in accordance with the guidance in ASU 2017-12, the Company applied the simplified method of assessing the effectiveness of its net investment hedging relationships. Under this method, for each reporting period, the change in the fair value of the cross-currency swaps is initially recognized in AOCI. The change in the fair value due to foreign exchange remains in AOCI and the initial component excluded from effectiveness testing will initially remain in AOCI and then will be reclassified from AOCI to Interest expense each period in a systematic manner. Cash flows related to the periodic exchange of interest payments for these net investment hedges are included in Operating activities on the Consolidated Statements of Cash Flows.

Additionally, in the fourth quarter of 2017, a portion of the cross-currency swap that hedges the Senior Notes due 2023 was de-designated as a net investment hedge and re-designated with a larger notional amount as a cash flow hedge. This cash flow hedge was entered into to manage the related foreign currency exposure from intercompany loans. The amounts in AOCI related to the net investment hedge at the date of de-designation were recognized as cumulative translation adjustments and will remain in AOCI until the subsidiary is sold or substantially liquidated. For the cash flow hedge, the Company reclassifies a portion of AOCI to Foreign currency loss (gain) to offset the foreign exchange impact in earnings created by the intercompany loans. The Company also amortizes a portion of AOCI to Interest expense related to the initial portion of a loss excluded from the assessment of effectiveness of the cash flow hedge. Cash flows related to this cash flow hedge are included in Financing activities on the Consolidated Statements of Cash Flows.

Hedge of Net Investments in Foreign Operations

In addition to the cross-currency swaps, the Company periodically uses foreign currency denominated notes as nonderivative hedging instruments of its net investments in foreign operations. Prior to their redemption in 2017, the Company had designated the 5.75% senior notes due 2021 (“Senior Notes due 2021”) as a net investment hedge and the gains and losses resulting from the exchange rate adjustments to the designated portion of the foreign currency denominated notes were recorded in AOCI to the extent that the foreign currency denominated notes are effective in hedging the designated risk. As of December 31, 2018 and 2017, there is no amount of 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 amount recognized in AOCI during the period that the Senior Notes due 2021 were designated as a net investment hedge remains in AOCI as of December 31, 2018 and will remain in AOCI until the subsidiary is sold or substantially liquidated. The Company does not expect amounts that are currently deferred in AOCI to be reclassified to income over the next 12 months.

Interest Rate Hedging

In 2018, the Company utilized a short-term interest rate swap to mitigate variability in forecasted interest payments on the Company’s senior secured term loan credit agreement, as amended (the “Term Loan Facility”). The interest rate swap converted a floating rate interest payment into a fixed rate interest payment. The Company designated the interest rate swap as a qualifying hedging instrument and accounted for this derivative as a cash flow hedge. The interest rate swap matured in August 2018.

In 2017, the Company utilized interest rate swaps 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 objective was 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 converted floating rate interest payments into fixed rate interest payments. The Company designated the interest rate swaps as qualifying hedging instruments and accounted for these as cash flow hedges of the forecasted obligations. The Company hedged its exposure to the variability in future cash flows for forecasted interest payments through the maturity date of the swap in December 2017.

Gains and losses resulting from fair value adjustments to the designated portion of interest rate swaps are recorded in AOCI and reclassified to Interest expense on the dates that interest payments accrued. Cash flows related to the interest rate swaps are included in Operating activities on the Consolidated Statements of Cash Flows.

Foreign Currency Option and Forward Contracts

In order to mitigate the currency translation risk that results from converting the financial statements of the Company's international operations, which primarily use the EUR and British pound sterling ("GBP") as their functional currency, the Company uses foreign currency option and forward contracts. Additionally, the Company may use foreign currency forward contracts to mitigate the foreign currency exposure from intercompany loans. The foreign currency contracts were not designated as qualifying hedging instruments as of December 31, 2018 or 2017. The contracts are not speculative; rather, they are used to manage the Company's exposure to foreign currency exchange rate fluctuations. The contracts expire in 12 months or less. Gains or losses on the contracts are recorded in Foreign currency loss (gain) in the Consolidated Statements of Income. In 2018, the Company changed its policy related to the cash flow presentation of foreign currency option contracts, as the Company believes cash receipts and payments related to economic hedges should be classified based on the nature and purpose for which those derivatives were acquired and, given that the Company did not elect to apply hedge accounting to these derivatives, the Company believes it is preferable to reflect these cash flows as Investing activities. Previously, these cash flows were reflected within Operating activities. Net cash used by investing activities for the year ended December 31, 2018 included \$21 million of cash usage related to these foreign currency option contracts. Prior years' impacts were not material. With this change in presentation, all cash flows related to the foreign currency contracts are included in Investing activities on the Consolidated Statements of Cash Flows.

11. Debt

The following table summarizes the Company's debt:

<i>(In millions)</i>	December 31, 2018		December 31, 2017	
	Principal Balance	Carrying Value	Principal Balance	Carrying Value
ABL facility	\$ —	\$ —	\$ 100	\$ 100
Term loan facility	1,503	1,474	1,494	1,456
6.125% Senior Notes due 2023	535	529	535	528
6.50% Senior Notes due 2022	1,200	1,190	1,600	1,583
6.70% Senior Debentures due 2034	300	205	300	203
Trade securitization program	283	281	303	299
Unsecured credit facility	250	246	—	—
Asset financing and other	55	55	104	105
Capital leases for equipment	289	289	248	248
Total debt	4,415	4,269	4,684	4,522
Short-term borrowings and current maturities of long-term debt	371	367	104	104
Long-term debt	\$ 4,044	\$ 3,902	\$ 4,580	\$ 4,418

The fair value of the debt as of December 31, 2018 was \$4,305 million, of which \$2,020 million was classified as Level 1 and \$2,285 million was classified as Level 2 in the fair value hierarchy. The fair value of the debt as of December 31, 2017 was \$4,816 million, of which \$2,647 million was classified as Level 1 and \$2,169 million was classified as Level 2. 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 and thereafter:

<i>(In millions)</i>	2019	2020	2021	2022	2023	Thereafter
Principal payments on debt	\$ 322	\$ 259	\$ 3	\$ 1,201	\$ 536	\$ 1,805

ABL Facility

In October 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, 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, which replaced XPO’s then-existing Amended Credit Agreement, provides commitments of up to \$1.0 billion and 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 as of December 31, 2018 and 2017 were \$4 million and \$6 million, respectively.

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. As of December 31, 2018, the borrowing base was \$934 million and availability was \$704 million, after considering outstanding letters of credit of \$230 million. A maximum of 20% of the borrowing base can be attributable to the equipment and rolling stock in the aggregate. As of December 31, 2018, 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 the London Interbank Offered Rate (“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 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. As of December 31, 2018, the Company was compliant with this financial covenant. If the Company defaults on one or more covenants under the ABL Facility and continues to default, the commitments may be terminated and the principal amount outstanding, together with all accrued unpaid interest and other amounts owed, may be declared immediately due and payable. Certain subsidiaries acquired by the Company in the future may be excluded from some of the covenant restrictions.

Term Loan Facility

In October 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. The Term Loan Credit Agreement was issued at an original issue discount of \$32 million.

In February 2018, the Company entered into a Refinancing Amendment (Amendment No. 3 to the Credit Agreement) (the “Third Amendment”), by and among XPO, its subsidiaries signatory thereto, as guarantors, the lenders party thereto and MSSF, in its capacity as administrative agent, amending that certain Senior Secured Term Loan Credit Agreement, dated as of October 30, 2015 (as amended, amended and restated, supplemented or otherwise modified, including by that certain Incremental and Refinancing Amendment (Amendment No. 1 to the Credit Agreement), dated as of August 25, 2016, and by that certain Refinancing Amendment (Amendment No. 2 to the Credit Agreement), dated March 10, 2017, the “Term Loan Credit Agreement”).

Pursuant to the Third Amendment, the outstanding \$1,494 million principal amount of term loans under the Term Loan Credit Agreement (the “Former Term Loans”) were replaced with \$1,503 million in aggregate principal amount of new term loans (the “Present Term Loans”). The Present Term Loans have substantially similar terms as the Former Term Loans, except with respect to the interest rate and maturity date applicable to the Present Term Loans, prepayment premiums in connection with certain voluntary prepayments and certain other amendments to the restrictive covenants. Proceeds from the Present Term Loans were used to refinance the Former Term Loans and to pay interest, fees and expenses in connection therewith.

The interest rate margin applicable to the Present Term Loans was reduced from 1.25% to 1.00%, in the case of base rate loans, and from 2.25% to 2.00%, in the case of LIBOR loans (with the LIBOR floor remaining at 0.0%). The interest rate on the Present Term Loans was 4.51% as of December 31, 2018. The Present Term Loans will mature on February 23, 2025. The refinancing resulted in a debt extinguishment charge of \$10 million, which was recognized in 2018.

In March 2017, the Company entered into a Refinancing Amendment (Amendment No. 2 to the Credit Agreement) (the “Second 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 Senior Secured Term Loan Credit Agreement dated as of October 30, 2015 (as amended, amended and restated, supplemented or otherwise modified, including by the Incremental and Refinancing Amendment (Amendment No. 1 to the Credit Agreement) (the “First Amendment”), dated as of August 25, 2016, the “Term Loan Credit Agreement.”)

Pursuant to the Second Amendment, the outstanding \$1,482 million principal amount of term loans under the Term Loan Credit Agreement (the “Existing Term Loans”) were replaced with \$1,494 million in aggregate principal amount of new term loans (the “Current Term Loans”). The Current Term Loans have substantially similar terms as the Existing Term Loans, other than the applicable interest rate and prepayment premiums in respect to certain voluntary prepayments. Proceeds from the Current Term Loans were used primarily to refinance the Existing Term Loans and to pay interest, fees and expenses in connection therewith.

The interest rate margin applicable to the Current Term Loans was reduced from 2.25% to 1.25%, in the case of base rate loans, and from 3.25% to 2.25%, in the case of LIBOR loans and the LIBOR floor was reduced from 1.0% to 0%. The refinancing resulted in a debt extinguishment charge of \$8 million in 2017.

In August 2016, the Company entered into a Refinancing Amendment (the “First Amendment”), pursuant to which the outstanding \$1,592 million principal amount of term loans under the Term Loan Credit Agreement (the “Old Term Loans”) were replaced with a like aggregate principal amount of new term loans (the “New Term Loans”). The New Term Loans have substantially similar terms as the Old Term Loans, other than the applicable interest rate and prepayment premiums in respect to certain voluntary prepayments. Of the \$1,592 million of term loans that were refinanced, \$1,197 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. In connection with this refinancing, various lenders exited the syndicate and the Company recognized a debt extinguishment loss of \$18 million in 2016.

In addition, pursuant to the First Amendment, the Company borrowed \$400 million of Incremental Term B-1 Loans (the “Incremental Term B-1 Loans”) and an additional \$50 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 all have identical terms, other than with respect to the original issue discounts, and will mature on October 30, 2021.

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 Company's Consolidated Secured Net Leverage Ratio 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, 2018, the Company's Consolidated Secured Net Leverage Ratio was less than 2.50:1.00; therefore, no excess cash payment was required.

Senior Notes

In July 2018, the Company redeemed \$400 million of the then \$1.6 billion outstanding Senior Notes due 2022 that were originally issued in 2015. The redemption price for the Senior Notes due 2022 was 103.25% of the principal amount, plus accrued and unpaid interest up to, but excluding, the date of redemption. The redemption was primarily funded using proceeds from the settlement of the forward sale agreements, described in **Note 13—Stockholders' Equity**. In connection with the redemption, we recognized a loss on debt extinguishment of \$17 million in 2018.

In December 2017, the Company redeemed all of its outstanding senior notes due June 2021 (the "Senior Notes due 2021") that were originally issued in 2015. The redemption price for the Senior Notes due 2021 was 102.875% of the principal amount, plus accrued and unpaid interest up to, but excluding, the date of redemption. The redemption was funded using cash on hand at the date of the redemption. The loss on debt extinguishment of \$23 million was recognized in 2017.

In August 2017, the Company redeemed all of its outstanding 7.25% senior notes due 2018 ("Senior Notes due 2018"). The Senior Notes due 2018 were assumed in connection with the Company's 2015 acquisition of Con-way, Inc. ("Con-way"). The redemption price for the Senior Notes due 2018 was 102.168% of the principal amount, plus accrued and unpaid interest up to, but excluding, the date of redemption. The redemption was funded using cash on hand at the date of the redemption. The loss on debt extinguishment of \$5 million was recognized in 2017.

The Senior Notes bear interest payable semiannually, in cash in arrears. The Senior Notes due 2023 mature on September 1, 2023. The Senior Notes due 2022 mature on June 15, 2022.

The Senior Notes 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 million. The Senior Debentures bear interest payable semiannually, in cash in arrears, and mature on May 1, 2034. In accordance with ASC 805 "Business Combinations," the Senior Debentures were recorded at fair value on the acquisition date, resulting in a fair value discount of \$101 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%.

Convertible Senior Notes

The Convertible Senior Notes bore interest payable semi-annually, in cash in arrears, and matured on October 1, 2017.

During the year ended December 31, 2017, the Company issued an aggregate of approximately three million shares of the Company's common stock to certain holders of the Convertible Senior Notes in connection with the conversion of the Convertible Senior Notes. The conversions were allocated to long-term debt and equity in the amounts of \$49 million and \$50 million, respectively. A loss on conversion of \$1 million was recorded as part of these 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.

Trade Securitization Program

In October 2017, XPO Logistics Europe SA (“XPO Logistics Europe”), in which the Company holds an 86.25% controlling interest, entered into a European trade receivables securitization program for a term of three years co-arranged by Crédit Agricole and HSBC. Under the terms of the program, XPO Logistics Europe, or one of its wholly-owned subsidiaries in the United Kingdom or France, sells trade receivables to XPO Collections Designated Activity Company Limited (“XCDAL”), a wholly-owned bankruptcy remote special purpose entity of XPO Logistics Europe. The receivables are funded by senior variable funding notes denominated in the same currency as the corresponding receivables. XCDAL is considered a variable interest entity and it is consolidated by XPO Logistics Europe based on its control of the entity’s activities. The receivables balance under this program are reported as Accounts receivable in the Company’s Consolidated Balance Sheets and the related notes are included in the Company’s Long-term debt.

The receivables securitization program provides additional liquidity to fund XPO Logistics Europe’s operations. The receivables securitization program contains representations and warranties, affirmative and negative covenants, termination events, events of default, indemnities and other obligations on the part of XPO Logistics Europe, certain of its subsidiaries and XCDAL, which are customary for transactions of this nature.

In the first quarter of 2018, the aggregate maximum amount available under the program was increased from €270 million to €350 million (approximately \$401 million as of December 31, 2018). The weighted-average interest rate as of December 31, 2018 was 1.09%. Charges for administrative fees and commitment fees, the latter of which is based on a percentage of the unused amounts available, were not material to the Company’s results of operations for the years ended December 31, 2018 and 2017. Additionally, in the fourth quarter of 2018, the program was amended and a portion of the receivables transferred from XCDAL are now accounted for as sales, see **Note 2—Basis of Presentation and Significant Accounting Policies**. As of December 31, 2018, the remaining borrowing capacity, which considers receivables that are collateral for the notes as well as receivables which have been sold, was \$0.

Unsecured Credit Facility

In December 2018, the Company entered into a \$500 million unsecured credit agreement (“Unsecured Credit Agreement”) with Citibank, N.A., which matures on December 23, 2019. As of December 31, 2018, the Company had borrowed \$250 million under the Unsecured Credit Agreement. The Company made a second borrowing of \$250 million in January 2019. The Company used the proceeds of both borrowings to finance a portion of its share repurchases as described in **Note 13—Stockholders’ Equity**. The Company’s borrowings under the Unsecured Credit Agreement will initially bear interest at a rate equal to LIBOR or Alternate Base Rate (“ABR”) plus an applicable margin of 3.50%, in the case of LIBOR loans, and 2.50% in the case of ABR loans. The margin is subject to two increases, of 50 basis points each, if any amounts remain outstanding under the Unsecured Credit Agreement on certain dates. The interest rate on outstanding borrowings as of December 31, 2018 was 6.01%.

Asset Financing

The asset financing arrangements are unsecured and are used to purchase trucks in Europe. The financing arrangements are denominated in USD, EUR, GBP and Romanian New Lei, with primarily floating interest rates. As of December 31, 2018, interest rates on asset financing range from 0.53% to 4.97%, with a weighted average interest rate of 1.47%, and initial terms range from five years to 10 years.

12. Employee Benefit Plans

Defined Benefit Pension Plans

The Company maintains defined benefit pension plans for certain employees in the United States. These pension plans include qualified plans (the “U.S. Qualified Plans”) that are eligible for certain beneficial treatment under the Internal Revenue Code (“IRC”), as well as non-qualified plans that do not meet the IRC criteria. 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 provide additional benefits for certain employees who are affected by IRC limitations on compensation eligible for benefits available under the qualified plans. Additionally, the Company maintains a separate defined benefit pension plan for certain employees in the United Kingdom (the “U.K. Plan”).

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. Both the U.S. Plans and U.K. Plan do not allow for new plan participants or additional benefit accruals.

During 2017, the Company offered eligible former employees who had not yet commenced receiving their pension benefit an opportunity to receive a lump sum payout of their vested pension benefit. On December 1, 2017, in connection with this offer, one of the Company’s pension plans paid \$142 million from pension plan assets to those who accepted this offer, thereby reducing its pension benefit obligations. The transaction had no cash impact on the Company but did result in a non-cash pre-tax pension settlement gain of \$1 million. As a result of the lump sum payout, the Company re-measured the funded status of its pension plan as of the settlement date. To calculate this pension settlement gain, the Company utilized a discount rate of 4.35% through the measurement date and 3.83% thereafter.

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 Other expense (income) in the Consolidated Statements of Income. 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.

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:

<i>(In millions)</i>	U.S. Qualified Plans		U.S. Non-Qualified Plans		U.K. Plan	
	2018	2017	2018	2017	2018	2017
Projected benefit obligation at beginning of year	\$ 1,743	\$ 1,745	\$ 78	\$ 74	\$ 1,305	\$ 1,235
Interest cost	57	74	2	3	28	34
Plan amendment	—	—	—	—	19	—
Actuarial (gain) loss	(142)	128	(5)	6	(62)	(23)
Benefits paid	(69)	(62)	(5)	(5)	(56)	(60)
Settlement	—	(142)	—	—	—	—
Foreign currency exchange rate changes	—	—	—	—	(70)	119
Projected benefit obligation at end of year ⁽¹⁾	<u>\$ 1,589</u>	<u>\$ 1,743</u>	<u>\$ 70</u>	<u>\$ 78</u>	<u>\$ 1,164</u>	<u>\$ 1,305</u>

(1) At the end of each year presented, the accumulated benefit obligations for the plans are equal to the projected benefit obligations.

The U.S. Qualified Plans and U.K. Plan realized actuarial gains of \$142 million and \$62 million, respectively, in 2018. In the U.S. Qualified Plans, the gain was a result of assumption changes, including an increase in the discount rate based on a December 31, 2018 reference yield curve and the use of an updated mortality projection scale for plan participants. In the U.K. Plan, the gain was a result of changes in actuarial assumptions, including an increase in the discount rate based on a December 31, 2018 reference yield curve, an increase in inflation assumptions and the use of an updated mortality projection scale for plan participants.

The following tables provide a reconciliation of the changes in the fair value of plan assets as of December 31:

<i>(In millions)</i>	U.S. Qualified Plans		U.S. Non-Qualified Plans		U.K. Plan	
	2018	2017	2018	2017	2018	2017
Fair value of plan assets at beginning of year	\$ 1,764	\$ 1,700	\$ —	\$ —	\$ 1,390	\$ 1,207
Actual return on plan assets	(113)	268	—	—	(35)	109
Employer contributions	—	—	5	5	3	13
Benefits paid	(69)	(62)	(5)	(5)	(56)	(60)
Settlement	—	(142)	—	—	—	—
Foreign currency exchange rate changes	—	—	—	—	(75)	121
Fair value of plan assets at end of year	<u>\$ 1,582</u>	<u>\$ 1,764</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,227</u>	<u>\$ 1,390</u>

The following table provides the funded status of the plans as of December 31:

<i>(In millions)</i>	U.S. Qualified Plans		U.S. Non-Qualified Plans		U.K. Plan	
	2018	2017	2018	2017	2018	2017
Funded status:						
Funded status at end of year	\$ (7)	\$ 21	\$ (70)	\$ (78)	\$ 63	\$ 85
Funded status recognized in balance sheet:						
Long-term assets	\$ —	\$ 21	\$ —	\$ —	\$ 63	\$ 85
Current liabilities	—	—	(5)	(6)	—	—
Long-term liabilities	(7)	—	(65)	(72)	—	—
Net amount recognized	<u>\$ (7)</u>	<u>\$ 21</u>	<u>\$ (70)</u>	<u>\$ (78)</u>	<u>\$ 63</u>	<u>\$ 85</u>
Plans with projected and accumulated benefit obligation in excess of plan assets:						
Projected and accumulated benefit obligation	\$ 1,589	\$ —	\$ 70	\$ 78	\$ —	\$ —
Fair value of plan assets	1,582	—	—	—	—	—

The following table provides amounts included in AOCI that have not yet been recognized in net periodic benefit expense as of December 31:

<i>(In millions)</i>	U.S. Qualified Plans		U.S. Non-Qualified Plans		U.K. Plan	
	2018	2017	2018	2017	2018	2017
Actuarial (loss) gain	\$ (50)	\$ 13	\$ (3)	\$ (8)	\$ 5	\$ 44
Prior-service credit	—	—	—	—	19	39
AOCI	<u>\$ (50)</u>	<u>\$ 13</u>	<u>\$ (3)</u>	<u>\$ (8)</u>	<u>\$ 24</u>	<u>\$ 83</u>

The following table sets forth the amount of net periodic benefit cost and amounts recognized in Other comprehensive (loss) income for the years ended December 31:

<i>(In millions)</i>	U.S. Qualified Plans			U.S. Non-Qualified Plans			U.K. Plan		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Net periodic benefit (income) expense:									
Interest cost	\$ 57	\$ 74	\$ 76	\$ 2	\$ 3	\$ 3	\$ 28	\$ 34	\$ 41
Expected return on plan assets	(92)	(93)	(88)	—	—	—	(67)	(60)	(59)
Amortization of prior-service credit	—	—	—	—	—	—	(2)	(1)	(1)
Recognized AOCI loss due to settlements	—	(1)	—	—	—	—	—	—	—
Net periodic benefit (income) expense	<u>\$ (35)</u>	<u>\$ (20)</u>	<u>\$ (12)</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ (41)</u>	<u>\$ (27)</u>	<u>\$ (19)</u>
Amounts recognized in Other comprehensive (loss) income									
Actuarial loss (gain)	\$ 63	\$ (47)	\$ 11	\$ (5)	\$ 6	\$ 3	\$ 40	\$ (72)	\$ 29
Prior-service cost	—	—	—	—	—	—	19	—	(42)
Reclassification of recognized AOCI gain due to settlements	—	1	—	—	—	—	—	—	—
Reclassification of prior-service credit to net periodic benefit (income) expense	—	—	—	—	—	—	2	1	1
Loss (gain) recognized in Other comprehensive (loss) income	<u>\$ 63</u>	<u>\$ (46)</u>	<u>\$ 11</u>	<u>\$ (5)</u>	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 61</u>	<u>\$ (71)</u>	<u>\$ (12)</u>

The following table outlines the weighted-average assumptions used to determine the net periodic benefit costs and benefit obligations for the year ended December 31:

	U.S. Qualified Plans			U.S. Non-Qualified Plans			U.K. Plan		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Discount rate - net periodic benefit costs	3.14% - 3.38%	3.83% - 4.35%	4.65%	2.84% - 3.21%	4.35%	4.65%	2.21%	2.70%	3.75%
Discount rate - benefit obligations	4.18% - 4.39%	3.55% - 3.71%	4.35%	3.93% - 4.28%	3.21% - 3.60%	4.35%	2.85%	2.53%	2.70%
Expected long-term rate of return on plan assets	3.00% - 5.40%	2.35% - 5.65%	5.58%	N/A	N/A	N/A	4.95%	5.00%	5.40%

No rate of compensation increase was assumed as the plans are frozen to additional participant benefit accruals.

In 2018, the Company changed how it estimates the interest cost component of net periodic cost for its U.S. and U.K. pension benefit plans. Previously, the Company estimated the interest cost component utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of this component by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to each of the underlying projected cash flows based on time until payment. The new estimate provides a more precise measurement of interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of the Company's U.S. and U.K. pension benefit obligation and has been accounted for as a change in accounting estimate and thus applied prospectively.

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.

<i>(In millions)</i>	U.S. Qualified Plans	U.S. Non-Qualified Plans	U.K. Plan
Year ending December 31:			
2019	\$ 80	\$ 5	\$ 40
2020	83	5	41
2021	87	5	43
2022	89	5	45
2023	92	5	46
2024-2028	492	25	257

Plan Assets

U.S. Qualified Plans

Assets of the U.S. Qualified Plans 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 an investment mix of approximately 82% in fixed income securities and 18% of investments in equity securities. The current fixed income allocation consists primarily of domestic fixed income and targets to hedge 90% of domestic projected liabilities. The target allocations for equity securities include 56% in U.S. equities and 44% in non-U.S. equities. 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 periodically 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 or individual fund manager. As of December 31, 2018, 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, foreign exchange 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 between 3.00% and 5.40% for the overall expected long-term rate of return on plan assets in 2018 was developed using asset allocation and return expectations. The return expectations are created using long-term historical and expected returns and current market expectations for inflation, interest rates and economic growth.

U.K. Plan

The U.K. Plan's assets are segregated from those of the Company and invested by trustees, which include Company representatives, with the goal of meeting the U.K. Plan's projected future pension liabilities. The trustees' investment objectives are to meet the performance target set in the deficit recovery plan of the U.K. Plan in a risk-controlled framework. The actual asset allocations of the U.K. Plan are in line with the target asset allocations. The implied target asset allocation of the U.K. Plan consists of 56% matching assets (U.K. gilts and cash) and 44% growth assets (consisting of a range of pooled funds investing in structured equities, illiquid credit, dynamic asset

allocation, high yield bonds, multi-asset credit and asset-backed securities). The target asset allocations of the U.K. Plan include acceptable ranges for each asset class.

The dynamic asset allocation and multi-asset credit funds invest dynamically across multiple asset classes with the aim of providing a diversified exposure to markets. Collateral consist of U.K. fixed-interest gilts, index-linked gilts and cash, which are used to back derivative positions that hedge the sensitivity of the liabilities to changes in interest rates and inflation. On the U.K. Plan Actuary's Technical Provisions funding basis, approximately 95% of the liability interest rate sensitivity and 112% of the liability inflation sensitivity were hedged as of December 31, 2018. The expected long-term rate of return on plan assets in 2018 was 4.95%. 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 tables set forth the fair values of investments held in the pension plans by major asset category as of December 31, 2018 and 2017, as well as the percentage that each asset category comprises of total plan assets:

(Dollars in millions)

Asset category (U.S. Qualified Plans)	December 31, 2018				Percentage of Plan Assets
	Level 1	Level 2	Not Subject to Leveling ⁽¹⁾	Total	
Cash and cash equivalents					
Short-term investment fund	\$ —	\$ —	\$ 37	\$ 37	2.3%
Equity:					
U.S. large companies	—	—	107	107	6.8%
U.S. small companies	25	—	—	25	1.6%
International	59	—	60	119	7.5%
Fixed income securities:					
Global long-term debt instruments	223	1,063	8	1,294	81.8%
Derivatives	1	(1)	—	—	—%
Total U.S. Plan assets	<u>\$ 308</u>	<u>\$ 1,062</u>	<u>\$ 212</u>	<u>\$ 1,582</u>	<u>100.0%</u>
Asset category (U.K. Plan)					
Cash and cash equivalents	\$ 57	\$ —	\$ —	\$ 57	4.6%
Fixed income securities	—	615	363	978	79.7%
Derivatives	—	5	26	31	2.6%
Hedge funds ⁽²⁾	—	—	38	38	3.1%
Diversified multi-asset funds:					
Dynamic asset allocation	—	—	123	123	10.0%
Total U.K. Plan assets	<u>\$ 57</u>	<u>\$ 620</u>	<u>\$ 550</u>	<u>\$ 1,227</u>	<u>100.0%</u>

(1) 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.

(2) 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)

Asset category (U.S. Qualified Plans)	December 31, 2017				Percentage of Plan Assets
	Level 1	Level 2	Not Subject to Leveling ⁽¹⁾	Total	
Cash and cash equivalents					
Short-term investment fund	\$ —	\$ —	\$ 25	\$ 25	1.4%
Equity:					
U.S. large companies	189	49	101	339	19.2%
U.S. small companies	37	—	—	37	2.1%
International	79	—	82	161	9.1%
Fixed income securities:					
Global long-term debt instruments	171	940	87	1,198	68.0%
Derivatives	1	3	—	4	0.2%
Total U.S. Plan assets	<u>\$ 477</u>	<u>\$ 992</u>	<u>\$ 295</u>	<u>\$ 1,764</u>	<u>100.0%</u>
Asset category (U.K. Plan)					
Cash and cash equivalents	\$ 65	\$ —	\$ —	\$ 65	4.6%
Fixed income securities	—	371	293	664	47.8%
Derivatives	—	13	54	67	4.9%
Hedge funds ⁽²⁾	—	—	42	42	3.0%
Diversified multi-asset funds:					
Risk parity	—	—	275	275	19.8%
Dynamic asset allocation	—	—	277	277	19.9%
Total U.K. Plan assets	<u>\$ 65</u>	<u>\$ 384</u>	<u>\$ 941</u>	<u>\$ 1,390</u>	<u>100.0%</u>

(1) 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.

(2) 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.

For the periods ended December 31, 2018 and 2017, the Company had no investments held in the pension plans within Level 3 of the fair value hierarchy. There was no XPO common stock held in plan assets as of December 31, 2018 or 2017. 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 million to its U.S. Non-Qualified Plans and \$3 million to its U.K. Plan in 2019; 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 in 2018, 2017 and 2016 was \$66 million, \$62 million and \$59 million, respectively.

Postretirement Medical Plan

The Company sponsors a postretirement medical plan that provides health benefits to certain non-contractual employees who are 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 on the Consolidated Balance Sheets for the Postretirement Plan:

<i>(In millions)</i>	As of December 31,	
	2018	2017
Projected benefit obligation at beginning of year	\$ 40	\$ 51
Interest cost on projected benefit obligation	1	2
Actuarial gain	(5)	(9)
Participant contributions	2	2
Benefits paid	(4)	(6)
Projected and accumulated benefit obligation at end of year	\$ 34	\$ 40
Funded status of the plan	\$ (34)	\$ (40)
Amounts recognized in the balance sheet consist of:		
Current liabilities	\$ (3)	\$ (3)
Long-term liabilities	(31)	(37)
Net amount recognized	\$ (34)	\$ (40)
Discount rate assumption as of December 31	4.21%	3.52%

The following table provides amounts included in AOCI that have not yet been recognized in net periodic benefit expense as of December 31:

<i>(In millions)</i>	2018	2017
Actuarial gain (loss)	\$ 12	\$ 8
AOCI	\$ 12	\$ 8

Net Periodic Benefit Expense for Postretirement Medical Plan

Net periodic benefit expense includes the following components:

<i>(In millions, except discount rate)</i>	Years Ended December 31,		
	2018	2017	2016
Net periodic benefit expense:			
Service cost - benefits earned during the year	\$ 1	\$ —	\$ 1
Interest cost on projected benefit obligation	1	2	2
Amortization of actuarial gain	(1)	—	—
Net periodic benefit expense	\$ 1	\$ 2	\$ 3
Discount rate assumption used to calculate interest cost	3.11% - 3.67%	3.90%	4.20%

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.

<i>(In millions)</i>	Benefit Payments
Year ending December 31:	
2019	\$ 3
2020	3
2021	3
2022	3
2023	3
2024-2028	14

13. Stockholders' Equity

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.

Series A Convertible Perpetual Preferred Stock and Warrants

In 2011, the Company issued to certain investors, for \$75 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, 2018, the outstanding Series A Preferred Stock is convertible into 10 million shares of Company common stock and there are outstanding Warrants exercisable for an aggregate of 10 million 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.

Equity Offering and Forward Sale Agreements

In July 2017, the Company completed a registered underwritten offering of 11 million shares of its common stock at a public offering price of \$60.50 per share (the "Offering"). Of the 11 million shares of common stock, five million shares were offered directly by the Company and six million shares were offered in connection with forward sale agreements (the "Forward Sale Agreements") described below. The Offering closed on July 25, 2017.

The Company received proceeds of \$290 million (\$288 million net of fees and expenses) from the sale of five million shares of common stock in the Offering. The Company used the net proceeds of the shares issued and sold by the Company in the Offering for general corporate purposes.

In connection with the Offering, the Company entered into separate Forward Sale Agreements with Morgan Stanley & Co. LLC and JPMorgan Chase Bank, National Association, London Branch (the "Forward Counterparties") pursuant to which the Company agreed to sell, and each Forward Counterparty agreed to purchase, three million shares of the Company's common stock (or six million shares of the Company common stock in the aggregate) subject to the terms and conditions of the Forward Sale Agreements, including the Company's right to elect cash settlement or net share settlement. The initial forward price under each of the Forward Sale Agreements is \$58.08

per share (which was the public offering price of the Company's common stock for the primary offering of the five million shares described above, less the underwriting discount) and was subject to certain adjustments pursuant to the terms of the Forward Sale Agreements. Consistent with the Company's strategy to grow its business in part through acquisitions, the Company entered into the Forward Sale Agreements to provide additional available cash for such acquisitions, among other general corporate purposes. In July 2018, the Company physically settled the forwards in full by delivering six million shares of common stock to the Forward Counterparties for net cash proceeds to the Company of \$349 million. As a part of its ordinary course treasury management activities, the Company applied these net cash proceeds to the repayment of the Senior Notes due 2022 as described above.

Share Repurchases

On December 14, 2018, the Company's Board of Directors authorized share repurchases of up to \$1 billion of the Company's common stock. The repurchase authorization permits the Company to repurchase shares in both open market and private repurchase transactions, with the timing and number of shares repurchased dependent on a variety of factors, including price, general business and market conditions, alternative investment opportunities and funding considerations. Through December 31, 2018, based on the settlement date, the Company purchased and retired 10 million shares of its common stock having an aggregate value of \$536 million at an average price of \$53.46 per share. In January and February 2019, based on the settlement date, the Company purchased and retired 8 million shares of its common stock having an aggregate value of \$464 million at an average price of \$59.47 per share, which completed the authorized repurchase program. The share repurchases were funded by the unsecured credit facility and available cash.

14. Stock-Based Compensation

In 2016, 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 in 2015. 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 the 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 3.4 million 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, 2018, there were 1.7 million shares available for issuance under the 2016 Plan.

In December 2017, the Company's stockholders approved the XPO Logistics, Inc. Employee Stock Purchase Plan (the "ESPP"). Under the terms of the ESPP, all eligible employees in the U.S. can purchase common stock through payroll deductions (which cannot exceed 10% of each employee's compensation) at 5% below fair market value on the last trading day at the end of each six-month purchase period during two offering periods per year, beginning on April 1 and October 1. Under the ESPP, employees must hold the stock they purchase for a minimum of three months from the date of purchase. Subject to adjustment for changes in the Company's capitalization, the number of shares to be granted under the ESPP is not to exceed two million shares. The first offering period occurred in 2018. The ESPP will be in effect until October 2027, unless terminated earlier at the discretion of the Board of Directors.

The plan is deemed non-compensatory, and therefore no stock-based compensation expense will be recognized. Executive officers and directors of the Company are not eligible to participate in the ESPP. There were two million shares available to be granted under the ESPP as of December 31, 2018.

The Company recognized the following stock-based compensation expense in SG&A in the Consolidated Statements of Income:

<i>(In millions)</i>	Years ended December 31,		
	2018	2017	2016
Stock options	\$ —	\$ 1	\$ 1
Stock appreciation rights	—	1	1
Restricted stock units	21	12	13
Performance-based restricted stock units	9	10	13
Cash-settled performance-based restricted stock units	19	55	27
Total stock-based compensation expense	\$ 49	\$ 79	\$ 55
Tax benefit on stock-based compensation	(22)	(8)	(6)

Stock Options

For employees and officers, stock options typically vest over three to five years after the grant date, have a 10-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 10-year contractual term, and an exercise price equal to the Company's stock price on the grant date.

The following is a summary of the weighted-average assumptions used to calculate the 2016 grant-date fair value using the Black-Scholes option pricing model. There were no stock options granted during 2018 and 2017.

	2016
Weighted-average risk-free interest rate	1.8%
Weighted-average volatility	50.0%
Weighted-average dividend yield	—
Weighted-average expected option term (in years)	6.44

The expected term of options granted has been derived based on 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 on 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, 2018 is presented below:

	Stock Options		
	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Term
Outstanding as of December 31, 2017	851,573	\$ 13.21	4.44
Granted	—	—	—
Exercised	(148,255)	15.52	—
Forfeited	(1,000)	23.31	—
Outstanding as of December 31, 2018	702,318	\$ 12.70	3.05
Options exercisable as of December 31, 2018	697,818	\$ 12.63	3.03

The weighted-average grant date fair value of options granted during 2016 was \$11.37. The intrinsic value of options outstanding and exercisable as of December 31, 2018 was \$31 million, respectively. As of December 31, 2018, the Company had an immaterial amount of unrecognized compensation cost related to stock options, which is expected to be recognized over a weighted-average period of one year.

The total intrinsic value of options exercised during 2018, 2017 and 2016 was \$11 million, \$9 million and \$12 million, respectively. The total cash received from options exercised during 2018, 2017 and 2016 was \$1 million, \$1 million and \$13 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 Committee. The RSUs vest based on the passage of time. The vesting of certain RSU awards may also be 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 by the grantee at the Company 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 is also 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 by the grantee at the Company as of the vesting date.

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, 2018 is presented below:

	RSUs		PRSUs	
	Number of RSUs	Weighted-Average Grant Date Fair Value	Number of PRSUs	Weighted-Average Grant Date Fair Value
Outstanding as of December 31, 2017	1,041,554	\$ 41.96	1,838,227	\$ 24.37
Granted	532,537	97.85	470,251	58.49
Vested	(305,542)	39.01	(1,085,748)	18.86
Forfeited and canceled	(182,921)	53.62	(185,805)	36.10
Outstanding as of December 31, 2018	1,085,628	\$ 68.24	1,036,925	\$ 43.51

The total fair value of RSUs that vested during 2018, 2017 and 2016 was \$30 million, \$23 million and \$27 million, respectively. All of the outstanding RSUs as of December 31, 2018 vest subject to service conditions.

The total fair value of PRSUs that vested during 2018, 2017 and 2016 was \$96 million, \$8 million and \$7 million, respectively. Of the outstanding PRSUs as of December 31, 2018, 444,959 vest subject to service and a combination of market and performance conditions and 591,966 vest subject to service and performance conditions.

As of December 31, 2018, the Company had \$69 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 3.31 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 certain 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. As of December 31, 2018 and 2017, the Company had recognized accrued liabilities of \$18 million and \$52 million, respectively, using a fair value per PRSU of \$57.04 and \$91.59, respectively.

A summary of cash-settled PRSU award activity for the year ended December 31, 2018 is presented below:

	Number of Cash-Settled PRSUs
Outstanding as of December 31, 2017	1,693,394
Granted	15,385
Vested	(564,465)
Forfeited and canceled	(391,038)
Outstanding as of December 31, 2018	753,276

As of December 31, 2018, the Company had \$24 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 one year; this will vary based on changes in the Company's common stock price and the probability of achieving performance targets in future periods.

15. Income Taxes

A summary of income (loss) before taxes related to U.S. and foreign operations are as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2018	2017	2016
U.S.	\$ 319	\$ 278	\$ (70)
Foreign	247	(17)	177
Income before income tax provision (benefit)	\$ 566	\$ 261	\$ 107

The components of the income tax provision (benefit) consist of the following:

<i>(In millions)</i>	Years Ended December 31,		
	2018	2017	2016
Current:			
U.S. Federal	\$ 2	\$ 2	\$ (11)
State	6	(3)	6
Foreign	69	59	48
Total current income tax provision	\$ 77	\$ 58	\$ 43
Deferred:			
U.S. Federal ⁽¹⁾	\$ 57	\$ (134)	\$ 1
State	2	(2)	(2)
Foreign ⁽²⁾	(14)	(21)	(20)
Total deferred income tax provision (benefit)	45	(157)	(21)
Total income tax provision (benefit)	\$ 122	\$ (99)	\$ 22

- (1) On December 22, 2017, the Tax Act was signed into law. The Tax Act includes numerous changes to existing U.S. tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%. The rate reduction became effective January 1, 2018. As a result, the Company recorded a tax benefit of \$173 million in the fourth quarter of 2017 related to the revaluation of its net deferred tax liabilities. The Company did not record any changes during the measurement period.
- (2) On December 31, 2017, a law was published in France enacting a rate reduction from 34.43% to 25.83% to be phased in over five years starting in 2018. On December 29, 2017, a law was published in Belgium enacting a tax rate reduction from 33.99% to 25% to be phased in over three years starting in 2018. Consequently, the Company recorded a tax benefit of \$10 million in the fourth quarter of 2017 related to the revaluation of its net deferred tax liabilities.

The effective tax rate reconciliations are as follows:

	Years Ended December 31,		
	2018	2017	2016
U.S. federal statutory tax rate	21.0%	35.0 %	35.0%
State taxes, net of U.S. federal benefit	1.2	(1.2)	4.8
Foreign rate differential	(1.1)	(6.7)	(13.2)
Foreign operations ⁽¹⁾	8.3	(0.1)	2.4
Valuation allowance	(3.7)	0.8	11.2
Changes in uncertain tax positions	—	5.1	(0.1)
Effect of law changes ⁽²⁾	—	(70.2)	(12.3)
Stock-based compensation	(3.8)	(3.3)	(4.7)
Other	(0.3)	2.4	(2.2)
Effective tax rate	21.6%	(38.2)%	20.9%

- (1) Foreign operations include the net impact of the changes to foreign valuation allowances, the cost of foreign inclusion net of foreign tax credits, and permanent items related to foreign operations.
- (2) 2017 U.S., France and Belgium tax rate changes; 2016 France tax rate change.

Components of the Net Deferred Tax Asset or Liability

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset and deferred tax liability are as follows:

<i>(In millions)</i>	Years Ended December 31,	
	2018	2017
Deferred tax asset		
Net operating loss and other tax attribute carryforwards	\$ 154	\$ 191
Accrued expenses	60	65
Pension and other retirement obligations	25	26
Other	62	64
Total deferred tax asset	301	346
Valuation allowance	(73)	(93)
Total deferred tax asset, net	228	253
Deferred tax liability		
Intangible assets	(330)	(371)
Property and equipment	(299)	(255)
Other	(35)	(38)
Total deferred tax liability	(664)	(664)
Net deferred tax liability	<u>\$ (436)</u>	<u>\$ (411)</u>

The deferred tax asset and deferred tax liability above are reflected in the Consolidated Balance Sheets as follows:

<i>(In millions)</i>	December 31,	
	2018	2017
Other long-term assets	\$ 8	\$ 8
Deferred tax liability	(444)	(419)
Net deferred tax liability	<u>\$ (436)</u>	<u>\$ (411)</u>

Investments in Foreign Subsidiaries

As a result of the Tax Act, the Company has decided to apply a partial indefinite reversal assertion to pre-2018 earnings and profits that have been invested back into the foreign businesses. The Company has also decided not to apply an indefinite reversal assertion on all 2018 and future years' earnings and profits. The Company has recorded federal, state and withholding taxes in the amount of \$2 million related to the change in assertion.

Operating Loss and Tax Credit Carryforwards

As of December 31, 2018 and 2017, the Company had federal net operating losses for all U.S. operations (including those of minority owned subsidiaries) of \$82 million and \$188 million, respectively, expiring at various times between 2028 and 2038. As of December 31, 2018 and 2017, the tax effect (before federal benefit) of the Company's state net operating losses was \$26 million and \$33 million, respectively, expiring at various times between 2019 and 2038.

As of December 31, 2018 and 2017, the Company had federal tax credit carryforwards of \$16 million and \$34 million, respectively, expiring at various times starting in 2032 with certain credits having an unlimited carryforward period. As of December 31, 2018 and 2017, the Company had state tax credit carryforwards of \$8 million and \$10 million, respectively, expiring at various times between 2019 and 2030.

As of December 31, 2018 and 2017, the Company's foreign net operating losses available to offset future taxable income were \$382 million and \$332 million, respectively. These foreign loss carryforwards will expire at various times beginning in 2019, with some losses having an unlimited carryforward period.

Valuation Allowance

The Company has evaluated the available positive and negative evidence and concluded that, for some of its deferred tax assets, it is more likely than not that these assets will not be realized in the foreseeable future. Based on the Company's assessment, as of December 31, 2018, total valuation allowances of \$73 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 Company's valuation allowance decreased by \$20 million during the year ended December 31, 2018.

The following table presents a roll-forward of the valuation allowance for the years ended December 31, 2018, 2017 and 2016, respectively:

<i>(In millions)</i>	Balance at Beginning of Year	Additions	Reductions/ Charges	Balance at End of Year
Valuation allowance				
Year Ended December 31, 2018	\$ 93	\$ —	\$ (20)	\$ 73
Year Ended December 31, 2017	83	29	(19)	93
Year Ended December 31, 2016	68	15	—	83

Unrecognized Tax Benefits (UTB)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2018	2017	2016
Beginning balance	\$ 25	\$ 15	\$ 12
Additions for tax positions of the current period	1	2	—
Additions for tax positions from acquisitions	—	—	10
Additions for tax positions of prior years	2	17	1
Reductions for tax positions of prior years	(3)	—	—
Settlements with tax authorities	—	(3)	—
Reductions due to the statute of limitations	(1)	(6)	(8)
Currency translation adjustment	(1)	—	—
Ending balance	\$ 23	\$ 25	\$ 15
Interest and penalties	6	5	4
Gross unrecognized tax benefits	\$ 29	\$ 30	\$ 19
Total UTB that, if recognized, would impact the effective income tax rate as of the end of the year	\$ 22	\$ 23	\$ 11

During the next 12 months, it is reasonably possible that the Company could reflect a reduction to unrecognized tax benefits of \$4 million due to the statute of limitations lapsing on positions or because tax positions are sustained on audit.

The Company is subject to taxation in the United States, various states and various foreign jurisdictions. As of December 31, 2018, the Company has no tax years under examination by the Internal Revenue Service ("IRS"). The Company has various U.S. state and local examinations and non-U.S. examinations in process. The U.S. federal tax

returns after 2008, state and local returns after 2009, and non-U.S. returns after 2007 are open under relevant statutes of limitations and are subject to audit.

16. Earnings per Share

Basic and diluted earnings per share are computed using the two-class method, which is an earnings allocation method that determines earnings 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 computations of basic and diluted earnings per share are as follows:

<i>(In millions, except per share data)</i>	Years Ended December 31,		
	2018	2017	2016
Basic earnings per common share			
Net income attributable to XPO	\$ 422	\$ 340	\$ 69
Convertible preferred dividends	(3)	(3)	(3)
Non-cash allocation of undistributed earnings	(29)	(25)	(3)
Net income allocable to common shares, basic	<u>\$ 390</u>	<u>\$ 312</u>	<u>\$ 63</u>
Basic weighted-average common shares	123	115	110
Basic earnings per share	\$ 3.17	\$ 2.72	\$ 0.57
Diluted earnings per common share			
Net income allocable to common shares, basic	\$ 390	\$ 312	\$ 63
Interest from Convertible Senior Notes	—	1	2
Net income allocable to common shares, diluted	<u>\$ 390</u>	<u>\$ 313</u>	<u>\$ 65</u>
Basic weighted-average common shares	123	115	110
Dilutive effect of Convertible Senior Notes	—	2	3
Dilutive effect of non-participating stock-based awards and equity forward	12	11	10
Diluted weighted-average common shares	135	128	123
Diluted earnings per share	\$ 2.88	\$ 2.45	\$ 0.53
Potential common shares excluded	10	10	12

Certain shares were not included in the computation of diluted earnings per share because the effect was anti-dilutive.

17. 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 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 as of December 31, 2018 were as follows:

<i>(In millions)</i>	Capital Leases	Operating Leases
Year ending December 31:		
2019	\$ 61	\$ 577
2020	60	460
2021	55	367
2022	52	288
2023	43	221
Thereafter	39	523
Total minimum lease payments	<u>\$ 310</u>	<u>\$ 2,436</u>
Amount representing interest	<u>(21)</u>	
Present value of minimum lease payments	<u>\$ 289</u>	

Rent expense was \$820 million, \$716 million and \$677 million for the years ended December 31, 2018, 2017 and 2016, 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 contracts. These matters also include numerous purported class action, multi-plaintiff and individual lawsuits, and 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. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued therefor, 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 determination as to whether a loss can reasonably be considered to be 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 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 the 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 \$3 million plus post-judgment interest and attorneys' fees to the claimants. The Company exhausted its appeals in this matter and the Superior Court entered final judgment against the Company in January 2018 and that judgment has been paid. 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 \$1 million, following which the Company appealed the decisions in the U.S. District Court for the Central District of California ("Central District Court"). On May 16, 2017, the Central District Court issued judgment finding that the five claimants were employees rather than independent contractors and awarding an aggregate of approximately \$1 million plus post-judgment interest and attorneys' fees to the claimants. The Company has appealed this judgment but cannot provide assurance that such appeal will be successful. In addition, separate decisions were rendered in April 2017 by a DLSE hearing officer in claims involving four additional plaintiffs, resulting in an award for the plaintiffs in an aggregate amount of approximately \$1 million, which the Company has appealed to the California Superior Court, Long Beach. The remaining DLSE claims (the "Pending DLSE Claims") have been transferred to California Superior Court in three separate actions involving approximately 170 claimants, including the claimants mentioned above who originally filed claims in 2012. The Company has reached an agreement to settle the majority of the Pending DLSE Claims and has accrued the full amount of the settlement. The settlement will require court approval. In addition, certain of the Company's intermodal drayage subsidiaries are party to putative class action litigations and other administrative claims in California brought by independent contract carriers who contracted with these subsidiaries. In these litigations, the contract carriers assert that they should be classified as employees, rather than independent contractors. 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 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 these litigations, the contract carriers, and in some cases the contract carriers' employees, 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. The cases include four related matters pending in the Federal District Court, Northern District of California: *Ron Carter, Juan Estrada, Jerry Green, Burl Malmgren, Bill McDonald and Joel Morales v. XPO Logistics, Inc.* ("*Carter*"), filed in March 2016; *Ramon Garcia v. Macy's and XPO Logistics Inc.* ("*Garcia*"), filed in July 2016; *Kevin Kramer v. XPO Logistics Inc.* ("*Kramer*"), filed in September 2016; and *Hector Ibanez v. XPO Last Mile, Inc.* ("*Ibanez*"), filed in May 2017. The Company has reached agreements to settle the *Carter, Garcia, Kramer* and *Ibanez* matters and has accrued the full amount of the settlements. The settlements will require court approval. With respect to other pending claims, the Company believes that it has adequately accrued for the potential impact of loss contingencies 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 (“Illinois Court”)) alleging violations of the Telephone Consumer Protection Act (“TCPA”) related to an automated customer call system used by a last mile logistics business that the Company acquired. The Company has reached an agreement to resolve the *Leung* case, and the Illinois Court has approved the settlement and entered final judgment. The Company has accrued the full amount of the approved settlement. Distribution of the settlement funds began in September 2018.

Shareholder Litigation

On December 14, 2018, two putative class actions were filed in the U.S. District Court for the District of Connecticut and the U.S. District Court for the Southern District of New York against the Company and certain of its current and former executives, alleging violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, as well as Section 20(a) of the Exchange Act, based on alleged material misstatements and omissions in the Company’s public filings with the U.S. Securities and Exchange Commission. On January 7, 2019, the plaintiff in one of the actions, *Leeman v. XPO Logistics, Inc. et al.*, No. 1:18-cv-11741 (S.D.N.Y.), voluntarily dismissed the action without prejudice. In the other action, *Labul v. XPO Logistics, Inc. et al.*, No. 3:18-cv-02062 (D. Conn.), which remains pending, the complaint has not yet been served. The Company intends to defend itself vigorously against the allegations. The Company is unable at this time to determine the amount of the possible loss or range of loss, if any, that it may incur as a result of these matters.

18. Subsequent Event

On February 13, 2019, the Company’s Board of Directors authorized a new share repurchase of up to \$1.5 billion of the Company’s common stock. The Company is not obligated to repurchase any specific number of shares, and may suspend or discontinue the program at any time.

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

Under the supervision and with the participation of our management, including our chief executive officer (“CEO”) and acting chief financial officer (“CFO”), we 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 were effective as of December 31, 2018, such that the information required to be included in our SEC reports is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to the Company, including our consolidated subsidiaries; and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

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 chief executive officer and acting chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2018.

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

There have not been any changes in the Company’s internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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 2019 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 2019 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 2019 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 2019 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 2019 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 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

<u>Exhibit Number</u>	<u>Description</u>
2.1	<u>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).</u>
3.1	<u>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).</u>
3.2	<u>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).</u>
3.3	<u>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(i) to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).</u>
3.4	<u>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”)).</u>
3.5	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 20, 2015 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on May 21, 2015).</u>
3.6	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 8, 2015 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on September 8, 2015).</u>
3.7	<u>2nd Amended and Restated Bylaws of the registrant, dated August 30, 2007 (incorporated herein by reference to Exhibit 3(ii) to the registrant’s Current Report on Form 8-K/A dated September 14, 2007).</u>
3.8	<u>Text of Amendments to the 2nd Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.2 to the registrant’s Current Report on Form 8-K filed with the SEC on May 21, 2015).</u>
3.9	<u>Amendment to the 2nd Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on March 17, 2017).</u>
4.1	<u>Certificate of Designation of Series A Convertible Perpetual Preferred Stock of the registrant (incorporated herein by reference to Exhibit 4.1 to the September 2011 Form 8-K).</u>
4.2	<u>Form of Warrant Certificate (incorporated herein by reference to Exhibit 4.2 to the September 2011 Form 8-K).</u>

<u>Exhibit Number</u>	<u>Description</u>
4.3	<u>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 to the September 2011 Form 8-K).</u>
4.4	<u>Form of Indenture for Senior Debt Securities between the registrant 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")).</u>
4.5	<u>Form of Indenture for subordinated Debt Securities between the registrant 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).</u>
4.6	<u>Certificate of Designation of Series B Convertible Perpetual Preferred Stock of the registrant, dated as of September 16, 2014 (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on September 18, 2014).</u>
4.7	<u>Indenture, dated as of June 9, 2015, between the registrant 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 herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on June 15, 2015).</u>
4.8	<u>Certificate of Designation of Series C Convertible Perpetual Preferred Stock of the registrant, dated as of June 3, 2015 (incorporated herein by reference to Exhibit 4.2 to the registrant's Amendment No. 1 to Current Report on Form 8-K/A filed with the SEC on June 26, 2015).</u>
4.9	<u>Indenture, dated as of August 25, 2016, between the registrant, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 26, 2016).</u>
10.1 +	<u>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).</u>
10.2 +	<u>Amended and Restated 2011 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit A to the registrant's definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 27, 2012).</u>
10.3 +	<u>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 (the "Fiscal Year 2011 Form 10-K")).</u>
10.4 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.19 to the Fiscal Year 2011 Form 10-K).</u>
10.5 +	<u>Form of Option Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.20 to the Fiscal Year 2011 Form 10-K).</u>
10.6 +	<u>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 Fiscal Year 2011 Form 10-K).</u>
10.7 +	<u>Form of Option Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.22 to the Fiscal Year 2011 Form 10-K).</u>
10.8 +	<u>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 Fiscal Year 2011 Form 10-K).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.9 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.1 to the registrant’s Current Report on Form 8-K filed with the SEC on March 20, 2014).</u>
10.10 +	<u>Form of Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 to the registrant’s Current Report on Form 8-K filed with the SEC on March 20, 2014).</u>
10.11 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.7 to the registrant’s Current Report on Form 8-K filed with the SEC on February 11, 2016 (the “February 2016 Form 8-K”)).</u>
10.12 +	<u>Form of Amendment to PRSU Agreements, dated March 7, 2016 (incorporated herein by reference to Exhibit 10.1 to the registrant’s Current Report on Form 8-K filed with the SEC on March 8, 2016).</u>
10.13 +	<u>2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Annex A to the registrant’s definitive proxy statement on Schedule 14A filed with the SEC on November 21, 2016).</u>
10.14 +	<u>Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.15 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the “Fiscal Year 2016 Form 10-K”)).</u>
10.15 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.16 to the Fiscal Year 2016 Form 10-K).</u>
10.16 +	<u>Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.17 to the Fiscal Year 2016 Form 10-K).</u>
10.17	<u>XPO Logistics, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Annex A to the registrant’s definitive proxy statement on Schedule 14A filed with the SEC on November 20, 2017).</u>
10.18 *	<u>Amendment No. 1, dated December 4, 2018, to the XPO Logistics, Inc. Employee Stock Purchase Plan.</u>
10.19 +	<u>Performance-Based Restricted Stock Unit Award Agreement, dated August 9, 2018, between the registrant and Sarah J.S. Glickman (incorporated herein by reference to Exhibit 10.3 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 5, 2018).</u>
10.20 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.4 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 5, 2018).</u>
10.21 +*	<u>Amendment Letter, dated December 31, 2018, to Performance-Based Restricted Stock Unit Award Agreement, dated February 9, 2016, between the registrant and Bradley S. Jacobs.</u>
10.22 +*	<u>Amendment Letter, dated December 31, 2018, to Performance-Based Restricted Stock Unit Award Agreement, dated February 9, 2016, between the registrant and Troy A. Cooper.</u>
10.23 +*	<u>Amendment Letter, dated December 31, 2018, to Performance-Based Restricted Stock Unit Award Agreement, dated February 9, 2016, between the registrant and Mario Harik.</u>
10.24 +	<u>Form of Employment Agreement, dated as of February 9, 2016, (incorporated herein by reference to Exhibit 10.1 to the February 2016 Form 8-K).</u>
10.25 +	<u>Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Bradley S. Jacobs, (incorporated herein by reference to Exhibit 10.2 to the February 2016 Form 8-K).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.26 +	<u>Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Troy A. Cooper (incorporated herein by reference to Exhibit 10.3 to the February 2016 Form 8-K).</u>
10.27 +	<u>Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and John J. Hardig, (incorporated herein by reference to Exhibit 10.4 to the February 2016 Form 8-K).</u>
10.28 +	<u>Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Gordon E. Devens (incorporated herein by reference to Exhibit 10.5 to the February 2016 Form 8-K).</u>
10.29 +	<u>Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Scott B. Malat, (incorporated herein by reference to Exhibit 10.6 to the February 2016 Form 8-K).</u>
10.30 +	<u>Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Mario A. Harik (incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).</u>
10.31 +	<u>Separation Agreement between the registrant and Gordon E. Devens dated January 27, 2017 (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017).</u>
10.32 +	<u>Employment Agreement, dated as of April 19, 2018, between the registrant and Kenneth R. Wagers III (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on April 24, 2018).</u>
10.33 +	<u>Separation Agreement, dated as of August 1, 2018, between the registrant and John J. Hardig (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 2, 2018).</u>
10.34 +	<u>Offer letter, dated April 23, 2018, between the registrant and Sarah J.S. Glickman (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 5, 2018).</u>
10.35	<u>Second Amended and Restated Revolving Loan Credit Agreement, dated as of October 30, 2015, by and among the registrant 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 herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on November 2, 2015).</u>
10.36	<u>Senior Secured Term Loan Credit Agreement, dated as of October 30, 2015, by and among the registrant, certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on November 2, 2015).</u>
10.37	<u>Incremental and Refinancing Amendment (Amendment No. 1 to Credit Agreement), dated as of August 25, 2016, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 26, 2016).</u>
10.38	<u>Refinancing Amendment (Amendment No. 2 to Credit Agreement), dated as of March 10, 2017, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 13, 2017).</u>
10.39	<u>Forward Sale Agreement, dated July 19, 2017, by and between the registrant and Morgan Stanley & Co. LLC (incorporated herein by reference to Exhibit 1.2 to the registrant's Current Report on Form 8-K filed with the SEC on July 25, 2017).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.40	<u>Forward Sale Agreement, dated July 19, 2017, by and between the registrant and JPMorgan Chase Bank, National Association, London Branch (incorporated herein by reference to Exhibit 1.3 to the registrant's Current Report on Form 8-K filed with the SEC on July 25, 2017).</u>
10.41	<u>Amendment No. 1 to Second Amended and Restated Revolving Loan Credit Agreement, dated as of July 19, 2017, by and among the registrant and certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on July 25, 2017).</u>
10.42	<u>Refinancing Amendment (Amendment No. 3 to Credit Agreement), dated as of February 23, 2018, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed with the SEC on February 26, 2018).</u>
10.43	<u>Amendment No. 2 to Second Amended and Restated Revolving Loan Credit Agreement, dated as of March 22, 2018, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed with the SEC on May 7, 2018).</u>
10.44	<u>Credit Agreement, dated as of December 24, 2018, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Citibank, N.A., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on December 31, 2018).</u>
21 *	<u>Subsidiaries of the registrant.</u>
23 *	<u>Consent of KPMG LLP, Independent Registered Public Accounting Firm.</u>
31.1 *	<u>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, 2018.</u>
31.2 *	<u>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, 2018.</u>
32.1**	<u>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, 2018.</u>
32.2**	<u>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, 2018.</u>
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.
*	Filed herewith.
**	Furnished herewith.

Exhibit
Number

Description

+ This exhibit is a management contract or compensatory plan or arrangement.

Item 16. *FORM 10-K SUMMARY*

None.



BOARD OF DIRECTORS:

Bradley S. Jacobs

Chairman and Chief Executive Officer,
XPO Logistics, Inc.

Gena L. Ashe

President and Chief Executive Officer,
GLA Legal Advisory Group

Marlene M. Colucci

Executive Director,
The Business Council

AnnaMaria DeSalva

Vice Chairman of the Board,
XPO Logistics, Inc.;
Senior Advisor, DowDuPont;
Former Chief Communications Officer,
E.I. du Pont Nemours & Co.

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

Former Vice Chairman and
Chief Financial Officer,
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 15, 2019 at 10:00 a.m. Eastern Daylight Time at Doral Arrowwood, 975 Anderson Hill Road, Rye Brook, NY 10573

TRANSFER AGENT:

Computershare Trust Company, N.A.
Tel. (877) 581-5548
www.computershare.com/investor

Mailing address - courier:

462 South 4th Street, Suite 1600
Louisville, KY 40202

Mailing address - regular mail:

P.O. Box 505000
Louisville, KY 40233-5000

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:

KPMG LLP

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

XPO Logistics, Inc.
Five American Lane
Greenwich, CT 06831 USA