

XPO Logistics, Inc.  
Form S-4/A  
February 24, 2014  
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As filed with the Securities and Exchange Commission on February 24, 2014

Registration No. 333-193626

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Amendment No. 1**

**to**

**Form S-4**

**REGISTRATION STATEMENT**

***UNDER***

***THE SECURITIES ACT OF 1933***

**XPO LOGISTICS, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State of Incorporation)**

**4700**  
**(Primary Standard Industrial**

**03-0450326**  
**(I.R.S. Employer**

**Classification Code Number)**  
**Five Greenwich Office Park**

**Identification No.)**

**Greenwich, CT 06831**

**(855) 976-4636**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**Gordon E. Devens**

**Senior Vice President, General Counsel and Secretary**

**XPO Logistics, Inc.**

**Five Greenwich Office Park**

**Greenwich, CT 06831**

**(855) 976-4636**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*With copies to:*

**Adam O. Emmerich**

**Michael F. Killea**

**Dominick DeChiara**

**David K. Lam**

**Executive Vice President, Chief  
Legal Officer and General Counsel**

**Justin M. Levy**

**Wachtell, Lipton, Rosen & Katz**

**Pacer International, Inc.**

**Winston & Strawn LLP**

**51 West 52nd Street**

**11231 Philips Industrial Boulevard**

**200 Park Avenue**

**New York, NY 10019**

**Building 1, Suite 200**

**New York, NY 10166**

**(212) 403-1000**

**Jacksonville, FL 32256**

**(212) 294-6700**

**(614) 923-1400**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement is declared effective and the satisfaction or waiver of all other conditions to the closing of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (referred to as the Securities Act ), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer "	Accelerated filer	x
Non-accelerated filer "	Smaller reporting company "	

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) "

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this document is not complete and may be changed. XPO Logistics, Inc. may not issue the securities described herein until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED FEBRUARY 24, 2014**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder of Pacer International, Inc.:

Pacer International, Inc. and XPO Logistics, Inc. have entered into a merger agreement pursuant to which XPO will acquire Pacer in a merger of an indirect wholly owned subsidiary of XPO with and into Pacer, with Pacer surviving as an indirect wholly owned subsidiary of XPO. In the merger, each Pacer shareholder will receive, for each share of Pacer common stock, par value \$0.01 per share, owned as of immediately prior to the merger, a combination of:

\$6.00 in cash; and

a fraction of a share of XPO common stock, par value \$0.001 per share (which we refer to as the exchange ratio), equal to \$3.00 divided by the volume-weighted average closing price of XPO common stock for the ten trading days prior to the closing (which we refer to as the XPO reference stock price), with such fraction rounded to the nearest 1/10,000; *provided* that, if the XPO reference stock price is less than or equal to \$23.12, then the exchange ratio will be fixed at 0.1298 of a share of XPO common stock, and if the XPO reference stock price is greater than or equal to \$32.94 per share, then the exchange ratio will be fixed at 0.0911 of a share of XPO common stock.

Pacer common shares are currently traded on the NASDAQ Stock Market's Global Select Market under the symbol PACR, and XPO common stock is currently traded on the New York Stock Exchange under the symbol XPO.

In connection with the merger, Pacer will hold a special meeting of its shareholders to consider and vote on a proposal to approve the merger agreement and certain other matters. The affirmative vote of the holders of a majority of the outstanding shares of Pacer common stock entitled to vote on the proposal at the special meeting is required to approve the merger agreement. Shareholders of record as of February 21, 2014 (which we refer to as the record date) are entitled to vote on the merger and other proposals presented at the Pacer special meeting.

**Your vote is very important. The merger cannot be completed unless holders of a majority of the outstanding shares of Pacer common stock entitled to vote on the proposal at the special meeting vote in favor of the approval of the merger agreement. If you fail to vote on the approval of the merger agreement, the effect will be the same as a vote against the approval of the merger agreement.** Information about the Pacer special meeting, the merger and the other business to be considered by the Pacer shareholders at the special meeting is contained in the accompanying proxy statement/prospectus, which we urge you to read. In particular, see the section titled Risk Factors beginning on page 15 of the accompanying document.

**The Pacer board of directors unanimously has determined that the merger is advisable, substantively and procedurally fair to, and in the best interests of, Pacer and its shareholders, and has authorized, approved and adopted the merger agreement and the transactions contemplated by the merger agreement and recommends that the Pacer shareholders vote FOR the approval of the merger agreement.**

Sincerely,

DANIEL W. AVRAMOVICH

*Chairman of the Board of Directors,*

*President and Chief Executive Officer*

**Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under the accompanying document or determined that the accompanying document is accurate or complete. Any representation to the contrary is a criminal offense.**

The accompanying document is dated February 24, 2014 and is first being mailed to the Pacer shareholders on or about February 25, 2014.

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MARCH 27, 2014**

Dear Shareholder of Pacer International, Inc.:

On March 27, 2014, Pacer International, Inc. will hold a special meeting of shareholders at 9:00 a.m., Eastern Time, at Pacer's headquarters, 6805 Perimeter Drive, Dublin, Ohio 43016. Only Pacer shareholders of record at the close of business on February 21, 2014, the record date, are entitled to receive this notice and to vote at the special meeting or any adjournment or postponement of that meeting. The special meeting has been called for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated as of January 5, 2014 (which we refer to as the "merger agreement"), by and among Pacer, XPO Logistics, Inc. and Acquisition Sub, Inc. (which we refer to as "Merger Sub"), pursuant to which, among other things, Merger Sub will be merged with and into Pacer, with Pacer surviving the merger as an indirect wholly owned subsidiary of XPO (which we refer to as the "merger");
2. To consider and cast an advisory (non-binding) vote on specified compensation that may be received by Pacer's named executive officers in connection with the merger;
3. To consider and vote on any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement; and
4. To transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

The Pacer board of directors unanimously has determined that the merger is advisable, substantively and procedurally fair to, and in the best interests of, Pacer and its shareholders, and has authorized, approved and adopted the merger agreement and the transactions contemplated by the merger agreement and recommends that the Pacer shareholders vote **FOR** the approval of the merger agreement. The merger agreement will be approved upon receiving the affirmative vote of a majority of the outstanding shares of Pacer common stock entitled to vote thereon at the special meeting.

Whether or not you plan to attend the special meeting, please submit your proxy with voting instructions as soon as possible. If you hold shares of Pacer common stock in your name as a shareholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed stamped envelope, use the toll-free telephone number shown on the proxy card or use the internet website shown on the proxy card. If you hold Pacer common shares through a bank, broker or other nominee, please use the voting instructions you have received from your bank, broker or other nominee. Submitting your proxy will not prevent you from attending the special meeting and voting in person. Please note, however, that if you hold Pacer common shares through a bank, broker or other nominee, and you wish to vote in person at the special meeting, you must obtain from your bank, broker or other nominee a proxy issued in your name. You may revoke your proxy by attending the special meeting and voting your Pacer common shares in person at the special meeting. You may also revoke your proxy at any time before it is voted

by giving written notice of revocation to the Secretary of Pacer at the address provided with the proxy card at or before the special meeting or by submitting a proxy with a later date.

The Pacer board of directors recommends that the Pacer shareholders vote:

1. **FOR** the proposal to approve the merger agreement;
  2. **FOR** the proposal to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger; and
  3. **FOR** any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement.
- By Order of the Board of Directors,

LISA ORMAND TAYLOR

Vice President, Assistant General Counsel

and Corporate Secretary

February 24, 2014

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**REFERENCES TO ADDITIONAL INFORMATION**

This document, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission (which we refer to as the SEC), constitutes a proxy statement of Pacer under Section 14(a) of the U.S. Securities Exchange Act of 1934, as amended (which we refer to as the Exchange Act), with respect to the solicitation of proxies for the special meeting of shareholders of Pacer, or any adjournment or postponement thereof, to, among other things, approve the merger agreement. This document is also a prospectus of XPO under Section 5 of the U.S. Securities Act of 1933, as amended (which we refer to as the Securities Act), for XPO common stock that will be issued to shareholders of Pacer in the merger pursuant to the merger agreement.

As permitted under the rules of the SEC, this document incorporates by reference important business and financial information about XPO and Pacer from other documents filed with the SEC that are not included in or delivered with this document. Please read the section titled Where You Can Find More Information. You can obtain any of the documents incorporated by reference into this document from the SEC's website at [www.sec.gov](http://www.sec.gov). This information is also available to you without charge upon your request in writing or by telephone from XPO or Pacer at the following addresses and telephone numbers:

**XPO Logistics, Inc.**

Five Greenwich Office Park

Greenwich, CT 06381

Attn: Investor Relations

Telephone: (855) 976-4636

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this document.

**Pacer International, Inc.**

6805 Perimeter Drive

Dublin, Ohio 43016

Attn: Investor Relations

Telephone: (614) 923-1400

You may obtain certain of these documents at XPO's website, [www.xpologistics.com](http://www.xpologistics.com), by selecting Investors, then highlighting Financial Information and then selecting the tab named SEC Filings, and at Pacer's website, [www.pacer.com](http://www.pacer.com), by selecting Investors, and then selecting SEC Filings. None of the information contained on the respective websites of XPO and Pacer is incorporated by reference into this document.

In order to receive timely delivery of the documents in advance of the Pacer special meeting, your request should be received no later than March 20, 2014. If you request any documents, XPO or Pacer will mail them to you by first class mail, or another equally prompt means, within one business day after receipt of your request.

If you have any questions about the merger or the consideration that you will receive in connection with the merger or would like additional copies of the instructions for surrendering your certificates representing Pacer common shares and letter of transmittal (which are being mailed to Pacer shareholders separately), you may contact Pacer's proxy solicitor at the address and telephone number listed below. You will not be charged for any additional instructions and letters of transmittal that you request.

***The Solicitation Agent for the Special Meeting is:***



**D.F. King & Co., Inc.**

You may obtain information regarding the Special Meeting from the Solicitation Agent as follows:

48 Wall Street, 22nd Floor

New York, NY 10005

Banks and Brokerage Firms, please call (212) 269-5550

Shareholders, please call (800) 488-8035

Email: [pacer@dfking.com](mailto:pacer@dfking.com)

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND SPECIAL MEETING**

*Set forth below are questions that you, as a shareholder of Pacer, may have regarding the merger and the special meeting of Pacer shareholders and brief answers to those questions. For a more complete description of the legal and other terms of the merger, please read this entire document, including the merger agreement, which is attached as Annex A to this proxy statement/prospectus, and the documents incorporated by reference into this document. You may obtain a list of the documents incorporated by reference into this document in the section *Where You Can Find More Information*.*

**Q: Why am I receiving these materials?**

A: Pacer and XPO have entered into a merger agreement, pursuant to which they have agreed that XPO will acquire Pacer through a merger of Merger Sub, an indirect wholly owned subsidiary of XPO with and into Pacer, with Pacer surviving as an indirect wholly owned subsidiary of XPO. As a result of the merger, Pacer will cease to be a separate publicly traded company. In the merger, each Pacer shareholder will receive, for each share of Pacer common stock they own as of immediately prior to the merger, a combination of:

\$6.00 in cash (which we refer to as the per share cash consideration ); and

a fraction of a share of XPO common stock (which we refer to as the exchange ratio ) equal to \$3.00 divided by the volume-weighted average closing price of XPO common stock for the ten trading days prior to the closing (which we refer to as the XPO reference stock price ), with such fraction rounded to the nearest 1/10,000; *provided* that, if the XPO reference stock price is less than or equal to \$23.12, then the exchange ratio will be fixed at 0.1298 of a share of XPO common stock, and if the XPO reference stock price is greater than or equal to \$32.94 per share, then the exchange ratio will be fixed at 0.0911 of a share of XPO common stock (which we refer to as the per share stock consideration, and together with the per share cash consideration, the merger consideration ).

In order to complete the merger, Pacer shareholders must vote to approve the merger agreement. This document is being delivered to you as both a proxy statement of Pacer and a prospectus of XPO in connection with the merger. It is the proxy statement by which the

Pacer board of directors is soliciting proxies from you to vote in favor of the proposal to approve the merger agreement at the special meeting or at any adjournment or postponement of the special meeting. It is also the prospectus for the offering by XPO of XPO common stock in the merger.

**Q: What am I being asked to consider and vote on?**

A: Pacer shareholders are being asked to consider and vote on the following proposals:

to approve the merger agreement (attached as Annex A to this document);

to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger;

any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement; and

to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

**Q: How does the Pacer board of directors recommend that I vote on the matters to be considered at the special meeting?**

A: The Pacer board of directors recommends that the shareholders of Pacer vote:

**FOR** the proposal to approve the merger agreement;

**FOR** the proposal to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger; and

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**FOR** any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement.

See Proposal 1: The Merger Reasons for the Merger and Recommendation of Pacer's Board of Directors.

In considering the recommendation of the Pacer board of directors with respect to the merger agreement, you should be aware that some of Pacer's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of Pacer shareholders generally. See Proposal 1: The Merger Interests of Pacer's Directors and Executive Officers in the Merger.

**Q: What will happen in the merger?**

A: If the merger is completed, Merger Sub will be merged with and into Pacer, with Pacer surviving the merger as an indirect wholly owned subsidiary of XPO. As soon as practicable following the closing, XPO and Pacer will cause the articles of merger to be executed, acknowledged and filed with the Secretary of State of the State of Tennessee. The merger will become effective on the effective date of the Tennessee Articles of Merger (which we refer to as the effective time of the merger).

**Q: What effects will the merger have on Pacer's corporate structure?**

A: Pacer's common stock is currently registered under the Exchange Act and is quoted on the NASDAQ Stock Market's Global Select Market (NASDAQ) under the symbol PACR. As a result of the merger, Pacer will cease to be a publicly traded company and will become an indirect wholly owned subsidiary of XPO. Following the consummation of the merger, Pacer's common stock will be delisted from NASDAQ and deregistered under the Exchange Act, and Pacer will no longer be required to file periodic reports with the SEC with respect to its common stock.

**Q: What happens if the merger is not consummated?**

A: If the merger agreement is not approved by Pacer's shareholders, or if the merger is not consummated for any other reason, Pacer's shareholders will not receive any payment for their shares in connection with the merger. Instead, Pacer will remain a public company, and shares of its common stock will continue to be listed and traded on NASDAQ. Under specified circumstances, Pacer may be required to pay XPO a termination fee of up to \$12.4 million or pay XPO a fee of \$3.0 or \$5.0 million to reimburse XPO's fees and expenses incurred in connection with the merger agreement and related transactions, or XPO may be required to pay the Pacer a termination fee of \$5.0 million to reimburse Pacer for its fees and expenses incurred in connection with the merger agreement and the related transactions. See Proposal 1: The Merger Agreement Termination Fee and XPO Expenses.

**Q: What is the amount of cash and the number of shares of XPO common stock that I will be entitled to receive in the merger for my Pacer common shares?**

A:

In the merger, each Pacer shareholder will receive, for each share of Pacer common stock they own as of immediately prior to the merger, a combination of:

\$6.00 in cash; and

a fraction of a share of XPO common stock equal to \$3.00 divided by the XPO reference stock price, with such fraction rounded to the nearest 1/10,000; *provided* that, if the XPO reference stock price is less than or equal to \$23.12, then the exchange ratio will be fixed at 0.1298 of a share of XPO common stock, and if the XPO reference stock price is greater than or equal to \$32.94 per share, then the exchange ratio will be fixed at 0.0911 of a share of XPO common stock.

No fractional share of XPO common stock will be issued in the merger. Instead, Pacer shareholders who otherwise would have received a fraction of a share of XPO common stock will receive an amount in cash. This cash



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amount will represent the shareholder's proportionate interest in, if any, the proceeds from the sale by the exchange agent in one or more transactions of XPO common stock equal to the excess of (1) the aggregate number of shares of XPO common stock to be delivered by the exchange agent over (2) the aggregate number of whole shares of XPO common stock to be issued to the Pacer shareholders.

### **Q: What is the collar and how does it work?**

A: The per share stock consideration is subject to a collar, whereby if the XPO reference stock price is equal to or between \$23.12 and \$32.94 (which we refer to as the collar), then the exchange ratio will float so as to ensure that the aggregate value of XPO common stock received in exchange for each share of Pacer common stock being exchanged for XPO shares, as calculated based on the XPO reference stock price, is equal to \$3.00 per share of Pacer common stock.

If, however, the XPO reference stock price is less than \$23.12 or more than \$32.94, then the exchange ratio will be fixed at 0.1298 or 0.0911, respectively. Accordingly, if the XPO reference stock price is less than the low end of the collar (*i.e.*, \$23.12), then the value of the stock payable per share of Pacer common stock will be less than \$3.00 based on the XPO reference stock price. Conversely, if the XPO reference stock price is greater than the high end of the collar (*i.e.*, \$32.94), then the value of the stock payable per share of Pacer common stock will be greater than \$3.00 based on the XPO reference stock price.

### **Q: What will happen to Pacer equity awards in the merger?**

A: *Stock Options.* At the effective time of the merger, each outstanding option to purchase shares under Pacer's stock plans, vested or unvested, will be cancelled and will entitle the holders of the options to receive an amount in cash (less applicable taxes required to be withheld) equal to the total number of shares subject to the option immediately prior to the effective time multiplied by the excess, if any, of (1) the sum of (a) the per share cash consideration plus (b) an amount in cash equal to the product of (i) the XPO reference stock price and (ii) the per share stock consideration (such sum, the option cash amount), over (2) the exercise price per share under the stock option. If the exercise price of a Pacer option is greater than or equal to the option cash amount, the option will be cancelled for no consideration.

*Restricted Shares.* At the effective time of the merger, each outstanding Pacer common share subject to vesting, repurchase or other lapse restrictions (a restricted share) will, by virtue of the merger, be cancelled and entitle the holder to receive the merger consideration with respect to each restricted share, less applicable taxes required to be withheld (which will be withheld from the per share cash consideration portion of the merger consideration).

*Restricted Stock Units.* At the effective time of the merger, each outstanding restricted stock unit granted under Pacer's stock plans will, by virtue of the merger, be cancelled and entitle the holder to receive the merger consideration with respect to each restricted stock unit, less applicable taxes required to be withheld (which will be withheld from the per share cash consideration portion of the merger consideration).

*Performance Stock Units.* At the effective time of the merger, each performance stock unit under Pacer's stock plans, to the extent that they are unvested, will vest as follows: for completed performance periods, the portion of the performance stock unit eligible for vesting based on achievement of the applicable performance targets set forth in the

applicable award agreement will vest, and for performance periods that have not been completed as of the effective time, the related performance stock units will vest as if the target level of performance had been achieved as of the effective time. All of such vested performance stock units will, by virtue of the merger, be cancelled and entitle the holder to receive the merger consideration, less applicable taxes required to be withheld with respect to such payment (which will be withheld from the per share cash consideration portion of the merger consideration).

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**Q: What vote of shareholders is required to approve the merger agreement?**

A: The merger agreement proposal must be approved by the affirmative vote of the holders of a majority of the outstanding shares of Pacer common stock entitled to vote thereon at the special meeting. Abstentions and broker non-votes will have the effect of a vote against the merger agreement proposal.

**Q: What vote of shareholders is required to approve the other matters to be considered at the special meeting?**

A: Approval of the advisory vote on specified compensation that may be received by Pacer's named executive officers in connection with the merger requires that the number of votes cast for the proposal by Pacer shareholders present in person or by proxy and entitled to vote at the special meeting exceeds the votes cast against the proposal. The vote of Pacer shareholders on specified compensation that may be received by Pacer's named executive officers in connection with the merger is advisory in nature and will not be binding on XPO or the Pacer board of directors and will not affect whether the compensation is paid. Abstentions and broker non-votes will have no effect on the outcome of the advisory vote.

Any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement requires that the number of votes cast for the proposal by Pacer shareholders present in person or by proxy and entitled to vote at the special meeting exceeds the votes cast against the proposal. Unless the Pacer board of directors fixes a new record date for the adjourned special meeting, or law otherwise requires, no notice of the adjourned special meeting will be given so long as the time and place to which the special meeting is adjourned are announced at the special meeting adjourning and, at the adjourned special meeting, only such business is transacted as might have been transacted at the original special meeting. Abstentions and broker non-votes will have no effect on the outcome of the vote to adjourn the meeting.

**Q: What constitutes a quorum for the special meeting?**

A: A quorum is the presence in person or by proxy of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast at the meeting.

**Q: When and where will the special meeting be held?**

A: The special meeting is scheduled to be held at Pacer's headquarters, 6805 Perimeter Drive, Dublin, Ohio 43016 on March 27, 2014 at 9:00 a.m., Eastern Time.

**Q: Who is entitled to vote at the special meeting?**

A: All Pacer shareholders who hold shares at the close of business on the record date, February 21, 2014, are entitled to receive notice of and to vote at the special meeting and any adjournment or postponement thereof, provided that such shares remain outstanding on the date of the special meeting.

**Q: What are the expected U.S. federal income tax consequences to a Pacer shareholder as a result of the merger?**

A: If you are a U.S. holder (as such term is defined below under **Material U.S. Federal Income Tax Considerations** ), the receipt of the merger consideration in exchange for shares of Pacer common stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. You should consult your own tax advisors regarding the particular tax consequences to you of the exchange of shares of common stock for the merger consideration pursuant to the merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws). For a more detailed discussion of the material U.S. federal income tax consequences of the merger to Pacer shareholders, please see the section titled **Material U.S. Federal Income Tax Considerations**.

**Q: Are there any risks in the merger that I should consider?**

A: Yes. There are risks associated with all business combinations, including the merger. These risks are discussed in more detail in the section titled **Risk Factors**.

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**Q: How do I vote at the special meeting?**

A: After you have carefully read this document, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope or by submitting your proxy or voting instruction by telephone or through the internet as soon as possible so that your Pacer common shares will be represented and voted at the special meeting.

If your Pacer common shares are held in street name, please refer to your proxy card or the information forwarded by your bank, broker or other nominee to see which options are available to you. The internet and telephone proxy submission procedures are designed to authenticate Pacer shareholders and to allow you to confirm that your instructions have been properly recorded.

If you are a record holder of Pacer common shares, the method you use to submit a proxy will not limit your right to vote in person at the special meeting if you later decide to attend the special meeting. If your Pacer common shares are held in the name of a bank, broker or other nominee, you must obtain a proxy, executed in your favor from the holder of record, to be able to vote in person at the special meeting.

**Q: If my Pacer common shares are held in street name by my bank, broker or other nominee, will my bank, broker or other nominee vote my shares without instructions from me?**

A: No. Your bank, broker or other nominee will not be able to vote your Pacer common shares without instructions from you. Please follow the procedure your bank, broker or other nominee provides to vote your shares.

**Q: If I am planning on attending the special meeting in person, should I still submit a proxy?**

A: Yes. Whether or not you plan to attend the special meeting, you should submit a proxy card. Pacer common shares will not be voted if the holder of such shares does not submit a proxy card and then does not vote in person at the special meeting.

**Q: Do I need identification to attend the special meeting in person?**

A: Yes. Please bring proper identification, together with proof that you are a record owner of Pacer common stock. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement stating or showing that you beneficially owned shares of Pacer common stock on the record date.

**Q: What do I do if I want to change my vote after I have delivered my proxy card?**

A: You may change your vote at any time before your Pacer common shares are voted at the special meeting. You can do this in any of the three following ways:

by sending a written notice to the Secretary of Pacer at the address provided on the proxy card in time to be received before the special meeting stating that you revoke your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before the special meeting or by submitting a later dated proxy by telephone or the internet, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

if you are a holder of record, or if you hold a proxy in your favor executed by a holder of record, by attending the special meeting and voting in person.

If your Pacer common shares are held in an account at a bank, broker or other nominee, you should contact your bank, broker or other nominee to change your vote.

**Q: What should I do if I receive more than one set of voting materials for the special meeting?**

A: You may receive more than one set of voting materials for the special meeting and the materials may include multiple proxy cards or voting instruction cards. For example, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record registered in

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more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive according to the instructions on it to ensure that all of your shares are voted.

**Q: Can I submit my proxy by telephone or the internet?**

A: Yes. In addition to mailing your proxy, you may submit it telephonically or on the internet. Instructions for using the telephone or internet to vote are described on your proxy card. For further information, please see the section titled **Special Meeting of Pacer Shareholders How to Submit Your Proxy**.

**Q: How do I exchange my Pacer common shares for merger consideration?**

A: Promptly after the effective time (and in any event within three business days following the effective time), the surviving corporation will cause the exchange agent to mail the appropriate materials to each record holder of Pacer common shares as of immediately before the effective time. These materials include (i) a letter of transmittal and (ii) instructions for surrendering the certificates (or affidavits of loss in lieu thereof) or book-entry shares in exchange for the merger consideration. You should read these instructions carefully. Assuming that you complete and submit the letter of transmittal in accordance with their respective instructions and surrender your Pacer common shares for cancellation, you will not need to take any further action in order to receive the merger consideration.

**Q: How will I receive the merger consideration to which I am entitled?**

A. You will be paid the merger consideration to which you are entitled upon the surrender to the exchange agent of your Pacer common shares and a duly completed and validly executed letter of transmittal. More information on the documentation you are required to deliver to the exchange agent may be found under the section titled **Proposal 1: The Merger Exchange of Shares**. Any XPO common stock that you receive in the merger will be issued in book-entry form and you will receive cash in lieu of any fractional XPO common stock. No interest will be paid or will accrue on any cash amounts received as merger consideration or in lieu of any fractional common shares.

**Q: I do not know where my stock certificate is how will I get the merger consideration for my shares?**

A. If the merger is completed, the transmittal materials you will receive after the completion of the merger will include the procedures that you must follow if you cannot locate your stock certificate. This will include an affidavit that you will need to sign attesting to the loss of your stock certificate. XPO may also require that you provide a customary indemnity agreement to XPO in order to cover any potential loss.

**Q: What happens if I sell my Pacer common shares after the record date but before the special meeting?**

A: The record date of the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you transfer your Pacer common shares after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided that such shares remain outstanding on the date of the special meeting), but you will not have the right to receive the merger consideration to be received by Pacer shareholders in the merger. In order to receive the merger consideration, you must hold your shares through the completion of the merger.

**Q: Am I entitled to exercise dissenters or appraisal rights instead of receiving the merger consideration for my shares of common stock?**

A: No. Under the Tennessee Business Corporation Act (which we refer to as the TBCA ), no stockholder may dissent as to any shares of a security which, as of the date of effectuation of the transaction would otherwise give rise to dissenters rights is listed on an exchange

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registered under Section 6 of the Exchange Act or is a national market system security. Since Pacer's common stock is and, through the closing, will be listed on NASDAQ, dissenters' rights are not available in connection with the merger. If Pacer's common stock ceases to be listed on NASDAQ prior to the closing of the merger, dissenters' rights may become available.

**Q: Is completion of the merger subject to any conditions?**

A: Yes. In addition to the approval of the merger agreement by Pacer shareholders, completion of the merger requires the receipt of the necessary regulatory approvals, the absence of a material adverse change affecting Pacer or XPO, no injunction or law prohibiting the merger and the satisfaction or, to the extent permitted by applicable law, waiver of the other conditions specified in the merger agreement.

**Q: When do you expect to complete the merger?**

A: XPO and Pacer are working to complete the merger as promptly as practicable. XPO and Pacer currently expect to complete the merger in the second quarter of 2014, subject to the receipt of Pacer shareholder approval, regulatory approvals and other usual and customary closing conditions. However, no assurance can be given as to when, or whether, the merger will occur.

**Q: Whom can I contact with questions about the special meeting or the merger and related matters?**

A: If you have any questions about the merger and the other matters contemplated by this document or how to submit your proxy or voting instruction card or if you need additional copies of this document or the enclosed proxy card or voting instruction card, you should contact Pacer's proxy solicitor, D.F. King & Co., Inc.. Shareholders may call toll free at (800) 488-8035. Banks and brokers may call collect at (212) 269-5550. You may also contact Pacer, Attention: Investor Relations, 6805 Perimeter Drive, Dublin, Ohio 43016, telephone: (614) 923-1400.

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**SUMMARY**

*This summary highlights selected information from this document. You are urged to carefully read the entire document and the other documents referred to in this document because the information in this section does not provide all the information that might be important to you with respect to the merger agreement, the merger and the other matters being considered at the meeting. See Where You Can Find More Information. Each item in this summary refers to the page of this document on which that subject is discussed in more detail.*

**Information About the Companies** (see pages 20-21)

XPO Logistics, Inc., a Delaware corporation, together with its subsidiaries, is a leading non-asset provider of transportation logistics services. XPO acts as a middleman between shippers and carriers who outsource their transportation logistics to XPO as a third-party provider. As of December 31, 2013, XPO operated at 94 locations: 73 company-owned branches and 21 agent-owned offices. XPO offers its services through three business segments. Its freight brokerage segment places shippers' freight with qualified carriers, primarily trucking companies. Its expedited transportation segment facilitates urgent shipments via independent over-the-road contractors and air charter carriers. Its freight forwarding segment arranges domestic and international shipments using ground, air and ocean transport through a network of agent-owned and company-owned locations.

Pacer International, Inc., a Tennessee corporation, together with its subsidiaries, is a leading provider of intermodal transportation services in North America and the largest provider of intermodal cross-border services in Mexico. Pacer offers its services through two business segments. Its intermodal segment offers intermodal transportation and drayage services via rail and truck. Pacer manages one of the largest domestic intermodal fleets in North America, and its contractual arrangements with rail carriers provide access to more than 60,000 miles of network rail routes. Its logistics segment provides truck brokerage, warehousing and distribution, global freight forwarding services and supply chain management services.

Acquisition Sub, Inc. is a Tennessee corporation (which we refer to as "Merger Sub") and an indirect wholly owned subsidiary of XPO. Merger Sub has not carried on any activities to date, other than activities incidental to its formation or undertaken in connection with the transactions contemplated by the merger agreement.

**The Merger** (see pages 26-81)

Pacer and XPO have entered into a merger agreement, pursuant to which they agreed that XPO would acquire Pacer pursuant to a merger of Merger Sub with and into Pacer, with Pacer surviving the merger as an indirect wholly owned subsidiary of XPO. As a result of the merger, Pacer will cease to be a separate, publicly held company.

The merger agreement is attached as Annex A to this document, and you are encouraged to read it carefully and in its entirety because it is the legal document that governs the merger.

**Merger Consideration** (see page 81)

In the merger, each share of Pacer common stock issued and outstanding as of immediately prior to the merger (other than shares owned by Pacer's subsidiaries, XPO, Merger Sub or any of their subsidiaries) will be converted into the right to receive a combination of:

\$6.00 in cash; and

a fraction of a share of XPO common stock equal to \$3.00 divided by the XPO reference stock price, with such fraction rounded to the nearest 1/10,000; *provided* that, if the XPO reference stock price is less than or equal to \$23.12, then the exchange ratio will be fixed at 0.1298 of a share of XPO common stock, and if the XPO reference stock price is greater than or equal to \$32.94 per share, then the exchange ratio will be fixed at 0.0911 of a share of XPO common stock.

No fractional shares of XPO common stock will be issued in the merger. Instead, Pacer shareholders who otherwise would have received a fraction of a

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share of XPO common stock will receive an amount in cash that represents the shareholder's proportionate interest in, if any, the proceeds from the sale by the exchange agent in one or more transactions of XPO common stock equal to the excess of (1) the aggregate number of shares of XPO common stock to be delivered by the exchange agent as merger consideration over (2) the aggregate number of whole shares of XPO common stock to be issued to the Pacer shareholders.

**Treatment of Pacer Equity Awards** (*See pages 82-83*)

*Stock Options.* At the effective time of the merger, each outstanding option to purchase shares under Pacer's stock plans, vested or unvested, will be cancelled and will entitle the holders of the options to receive an amount in cash (less applicable taxes required to be withheld) equal to the total number of shares subject to the option immediately prior to the effective time multiplied by the excess, if any, of (1) the sum of (a) the per share cash consideration plus (b) an amount in cash equal to the product of (i) the XPO reference stock price and (ii) the exchange ratio (such sum, the option cash amount), over (2) the exercise price per share under the stock option. If the exercise price of a Pacer option is greater than or equal to the option cash amount, the option will be cancelled for no consideration.

*Restricted Shares.* At the effective time of the merger, each outstanding Pacer common share subject to vesting, repurchase or other lapse restrictions (a restricted share) will, by virtue of the merger, be cancelled and entitle the holder to receive the merger consideration with respect to each restricted share, less applicable taxes required to be withheld (which will be withheld from the per share cash consideration portion of the merger consideration).

*Restricted Stock Units.* At the effective time of the merger, each outstanding restricted stock unit granted under Pacer's stock plans will, by virtue of the merger, be cancelled and entitle the holder to receive the merger consideration with respect to each restricted stock unit, less applicable taxes required to be withheld (which will be withheld from the per share cash consideration portion of the merger consideration).

*Performance Stock Units.* At the effective time of the merger, each performance stock unit under Pacer's stock plans, to the extent that they are unvested, will vest as follows: for completed performance periods, the portion of the performance stock unit eligible for vesting based on achievement of the applicable performance targets set forth in the applicable award agreement will vest, and for performance periods that have not been completed as of the effective time, the related performance stock units will vest as if the target level of performance had been achieved as of the effective time. All of such vested performance stock units will, by virtue of the merger, be cancelled and entitle the holder to receive the merger consideration, less applicable taxes required to be withheld with respect to such payment (which will be withheld from the per share cash consideration portion of the merger consideration).

**Risk Factors** (*see pages 14-18*)

The merger is, and upon the completion of the merger the combined company will be, subject to a number of risks, which are described in the section titled Risk Factors. You should carefully read and consider these risks in deciding whether to vote for the approval and adoption of the merger agreement. Some of the most important risks include:

The value of the stock portion of the merger consideration payable to Pacer shareholders is subject to changes based on fluctuations in the value of XPO common stock, and you may receive per share stock consideration with a value that is more or less than \$3.00 per share in certain circumstances.

The merger is subject to various closing conditions, and any delay in completing the merger may reduce or eliminate the benefits expected and delay the payment of the merger consideration to shareholders.

Certain executive officers and directors of Pacer have interests in the merger that are different from, or in addition to, the interests of Pacer shareholders generally, which could have influenced their decision to support or approve the merger.

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**Special Meeting of Pacer Shareholders** (*see pages 22-25*)

*Where and when:* The special meeting is scheduled to be held at Pacer's headquarters, 6805 Perimeter Drive, Dublin, Ohio 43016 on March 27, 2014 at 9:00 a.m. Eastern Time.

*Proposals being considered:* Pacer shareholders are being asked to consider and vote on the following proposals:

to approve the merger agreement (attached as Annex A to this document);

to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger;

any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement; and

to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

*Who may vote:* You may vote at the special meeting if you owned Pacer common stock at the close of business on the record date, \_\_\_\_\_, 2014. You may cast one vote for each share of Pacer common stock that you owned on the record date.

*How to vote:* If you are a record holder of Pacer common stock, please complete and submit the enclosed proxy card as soon as possible or transmit your voting instructions by using the telephone or internet procedures described on your proxy card. If your Pacer common shares are held in street name by your bank, broker or other nominee, please follow the instructions your bank, broker or other nominee provides to vote your shares.

*Vote needed to approve the merger agreement:* The merger agreement must be approved by the affirmative vote of holders of a majority of the outstanding shares of Pacer common stock entitled to vote thereon at the special meeting. Abstentions and broker non-votes will have the effect of a vote against the merger agreement.

*Vote needed to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger:* Approval of the advisory vote on specified compensation that may be received by Pacer's named executive officers in connection with the merger requires that the number of votes cast for the proposal by Pacer shareholders present in person or by proxy and entitled to vote at the special meeting exceeds the number of votes cast against the proposal. The vote to approve specified compensation is not a condition to completion of the merger. The vote of Pacer shareholders on specified compensation that may be received by Pacer's named executive officers in connection with the merger is advisory in nature and will not be binding on XPO or Pacer. Accordingly, regardless of the outcome of the advisory vote, if the merger is approved and completed, specified compensation may be paid. Abstentions and broker non-votes will have no effect on the outcome of the advisory vote.

*Vote needed to approve any adjournment of the special meeting:* Any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement requires that the

number of votes cast for the proposal by Pacer shareholders present in person or by proxy and entitled to vote at the special meeting exceeds the number of votes cast against the proposal. Unless the Pacer board of directors fixes a new record date for the adjourned special meeting, or law otherwise requires, no notice of the adjourned special meeting will be given so long as the time and place to which the special meeting is adjourned are announced at the special meeting adjourning and, at the adjourned special meeting, only such business is transacted as might have been transacted at the original special meeting. Abstentions and broker non-votes will have no effect on the outcome of the vote to adjourn the meeting.

**Pacer Reasons for the Merger; Recommendation of the Pacer Board of Directors** *(see pages 38-43)*

After careful consideration of the numerous factors described in the section entitled Proposal 1: The Merger Reasons for the Merger and Recommendation of Pacer's Board of Directors, the Pacer board of directors unanimously has determined

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that the merger is advisable, substantively and procedurally fair to, and in the best interests of Pacer and its shareholders, and has authorized, approved and adopted the merger agreement and the transactions contemplated by the merger agreement and recommends that the Pacer shareholders vote **FOR** the approval of the merger agreement.

In addition, the Pacer board of directors recommends that you vote **FOR** the proposal to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger. Finally, the Pacer board of directors recommends that you vote **FOR** any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement.

### **Opinions of Pacer's Financial Advisors (see pages 43-64)**

#### ***Opinion of Morgan Stanley & Co. LLC***

In connection with the merger, at the meeting of Pacer's board of directors on January 5, 2014, Morgan Stanley & Co. LLC (which we refer to as "Morgan Stanley") rendered its oral opinion to the Pacer board of directors (which was confirmed in writing by delivery of Morgan Stanley's written opinion dated January 5, 2014) to the effect that, as of that date and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations upon the scope of review undertaken by Morgan Stanley, as set forth in its opinion, the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

**The full text of Morgan Stanley's written opinion, dated January 5, 2014, is attached as Annex B to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, matters considered and qualifications and limitations upon the scope of the review undertaken by Morgan Stanley in rendering the opinion. Morgan Stanley's opinion is directed to**

**Pacer's board of directors and addresses only the fairness from a financial point of view of the merger consideration pursuant to the merger agreement to be received by the holders of shares of Pacer common stock as of the date of the opinion. Morgan Stanley's opinion does not address any other aspects of the merger and does not constitute a recommendation to any shareholders of Pacer as to how to vote at any shareholders meeting related to the merger or to take any other action with respect to the merger.**

#### ***Opinion of Houlihan Lokey Financial Advisors, Inc.***

In connection with the merger, at the meeting of Pacer's board of directors on January 5, 2014, Houlihan Lokey Financial Advisors, Inc. (which we refer to as "Houlihan Lokey"), rendered an oral opinion to the Pacer board of directors (which was confirmed in writing by delivery of Houlihan Lokey's written opinion dated January 5, 2014), to the effect that, as of that date and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion, the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

**The summary of Houlihan Lokey's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of Houlihan Lokey's written opinion, dated January 5, 2014, which is attached as Annex C to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion. Houlihan Lokey's opinion was directed to the Pacer board of directors and only addressed the fairness from a financial point of view of the merger**



**consideration to be received by the holders of Pacer common stock in the merger and does not address any other aspect or implication of the merger. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the**

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**related analyses set forth in this proxy statement/prospectus are intended to be, and do not constitute, advice or a recommendation to Pacer's board of directors or any stockholder as to how to act or vote with respect to the merger or related matters.**

### **Interests of Pacer's Directors and Executive Officers in the Merger** *(see pages 68-76)*

Pacer's directors and executive officers have interests in the merger that are different from, or in addition to, their interests as Pacer shareholders. The members of the Pacer board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to Pacer shareholders that they vote to approve the merger agreement. Certain of Pacer's directors and executive officers hold outstanding unvested equity awards, which will be cancelled in exchange for the holder's right to receive the merger consideration (less any applicable exercise price) upon the effective date of the merger. Further, certain of Pacer's executive officers have entered into arrangements amending their existing employment agreements with Pacer, under which they have waived their entitlement to certain severance benefits in exchange for retention equity awards (subject to vesting and forfeiture conditions) with respect to XPO common stock. The remaining executive officers are party to severance arrangements that entitle the officer to receive certain payments upon qualifying terminations of employment that may occur upon or following the merger. Pacer's directors and executive officers are also entitled to continued indemnification and insurance coverage under the merger agreement.

For additional information, see Proposal 1: The Merger Interests of Pacer's Directors and Executive Officers in the Merger.

### **No Appraisal Rights** *(see page 128)*

Pacer shareholders do not have appraisal rights. Under the TBCA, no shareholder may dissent as to any shares of a security which, as of the date of effectuation of the transaction would otherwise give rise to dissenters' rights and is listed on an exchange registered under Section 6 of the Exchange Act or is

a national market system security. Since Pacer's common stock is and, through the closing, will be listed on NASDAQ, dissenters' rights are not available in connection with the merger. If Pacer's common stock ceases to be listed on NASDAQ prior to the closing of the merger, dissenters' rights may become available.

### **Regulatory Approvals Required for the Merger** *(see page 79)*

The only governmental and regulatory approval required to complete the transactions contemplated by the merger agreement is the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which we refer to as the HSR Act). XPO and Pacer each filed the required notification and report forms under the HSR Act on January 15, 2014. Early termination of the waiting period under the HSR Act was granted on January 28, 2014.

### **NYSE Listing of XPO Common Stock** *(see page 80)*

XPO common stock is currently listed on the New York Stock Exchange under the ticker symbol XPO. It is a condition to closing that the common stock to be issued in the merger to Pacer shareholders be approved for listing on the NYSE, subject to official notice of issuance.

### **Delisting and Deregistration of Pacer Common Stock** *(see page 80)*

Pacer common stock is currently listed on NASDAQ under the ticker symbol PACR. If the merger is completed, Pacer common stock will cease to be listed on NASDAQ and will be deregistered under the Exchange Act.

**Conditions to Completion of the Merger** (*see pages 92-94*)

The obligations of XPO and Pacer to complete the merger are subject to the fulfillment (or waiver) of the following conditions:

*Pacer Shareholder Approval.* Approval of the merger agreement by holders of a

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majority of the outstanding shares of Pacer common stock entitled to vote at the special meeting.

*Regulatory Approvals.* Expiration or termination of the waiting period under the HSR Act, which termination was granted January 28, 2014.

*No Injunction.* No injunction or law prohibiting the merger.

*Registration Statement.* The effectiveness of the registration statement on the Form S-4 (of which this proxy statement/prospectus forms a part), and the absence of any proceeding by the SEC for the purpose of suspending the effectiveness of the registration statement.

*NYSE Listing.* Approval for listing on the NYSE, subject to official notice of issuance, of the XPO common shares to be issued in the merger.

*Accuracy of Representations.* Accuracy of the other party's representations and warranties, except with certain exceptions, where the failure to be accurate would not, in the aggregate, have a material adverse change on Pacer or XPO.

*No Material Adverse Change.* The absence of a material adverse change affecting Pacer or XPO.

*Compliance with Covenants.* Compliance by the other party in all material respects with its covenants. Neither XPO nor Pacer can give any assurance that all of the conditions to the merger will either be satisfied or waived or that the merger will occur.

**Non-Solicitation by Pacer** (see pages 90-91)

The merger agreement contains a detailed provision prohibiting Pacer from soliciting, engaging in discussions, providing non-public information, recommending or agreeing to an alternative proposal, unless the Pacer board of directors determines that the alternative proposal is, or could reasonably be expected to lead to, a superior proposal (as defined in the merger agreement) and such alternative

proposal was not made or received in violation of the non-solicitation prohibitions.

The merger agreement also contains a detailed provision prohibiting the Pacer board of directors from changing its recommendation that Pacer's shareholders vote to approve the merger agreement or withdrawing or modifying such recommendation in a manner adverse to XPO. However, if Pacer receives an unsolicited alternative proposal that its board of directors determines is a superior proposal it may change its recommendation to shareholders in favor of the merger or terminate the merger agreement in order to accept a superior proposal, so long as Pacer gives XPO at least five business days prior notice of its intention to change its recommendation and negotiates with XPO within that notice period so as to enable XPO to propose revisions to the merger agreement such that the other proposal no longer constitutes a superior proposal.

Pacer may also change its recommendation if an unforeseeable event unrelated to an alternative transaction occurs after the date of the merger agreement and the Pacer board of directors determines, after providing XPO with an opportunity to amend the merger agreement, that, as a result of the event, the failure of the board to change its recommendation would reasonably be likely to violate its fiduciary duties. However, Pacer must first give XPO at least five business days prior notice of its intention to change its recommendation and during such notice period negotiate with XPO so as to enable XPO to propose revisions to the merger agreement such that it would obviate the need for a change in the recommendation.

**Termination of Merger Agreement** (*see page 94*)

The merger agreement can be terminated in the following circumstances:

*Mutual Agreement.* Mutual agreement of XPO and Pacer.

*Outside Date.* Termination by either party, if the merger has not closed by July 5, 2014, which may be extended to October 5, 2014 in certain circumstances (which date, as it may be extended, we refer to as the outside date ).

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*Final Injunction.* Termination by either party, if a permanent injunction or order has been issued prohibiting the merger.

*Shareholder Rejection.* Termination by either party, if Pacer's shareholders fail to approve the merger agreement at the Pacer special meeting.

*Superior Proposal.* Termination by Pacer, prior to Pacer shareholder approval of the merger, to enter into a definitive agreement with respect to a superior proposal, provided that Pacer has paid to XPO the \$12.4 million termination fee described below.

*Change in Recommendation.* Termination by XPO, if the Pacer board of directors changes its recommendation to the Pacer shareholders to vote for the merger.

*Breach of Representations or Covenants.* Termination by either party, if the other party has breached its representations or covenants in a way that causes a closing condition to fail, and such a breach is not cured by the earlier of (i) 30 days' written notice by the other party or (ii) the outside date.

### **Termination Fee and XPO Expenses (see pages 94-95)**

*Termination Fee.* Pacer must pay XPO a termination fee of \$12.4 million (which we refer to as the termination fee) in the following circumstances:

*Termination to Accept Superior Proposal.* Pacer terminates the merger agreement, prior to Pacer shareholder approval, to enter into a definitive agreement with respect to a superior proposal.

*Change in Pacer Board of Directors' Recommendation.* XPO terminates the merger agreement because the Pacer board of directors changes its recommendation for Pacer shareholders to vote in favor of the merger agreement.

*Shareholder Rejection, Non-Consummation and Change in Recommendation.* Either party terminates the merger agreement because the merger is not consummated by the outside date, and at the time of such termination Pacer's shareholders have not yet voted to approve the merger and XPO would otherwise have been permitted to terminate the agreement because of a change in the recommendation of Pacer's board of directors.

*Shareholder Rejection or Non-Consummation due to an Acquisition Proposal Followed by an Alternative Transaction.* Either party terminates the merger agreement because (1) the merger agreement is not consummated by the outside date, or (2) the Pacer special meeting concludes without the necessary vote to approve consummation of the merger, and in each case before the termination an acquisition proposal is made public, and within 12 months of the date the merger agreement is terminated, Pacer enters into a

definitive agreement with respect to, or consummates, an alternative transaction involving at least 50% of its equity or assets.

*XPO Expense Reimbursement.* If XPO terminates the merger agreement due to Pacer's breach of its representations, warranties or covenants, Pacer must pay XPO \$5.0 million in respect of XPO's fees and expenses incurred in connection with the merger agreement and the related transactions. If the merger agreement is terminated by either party due to a failure of Pacer's shareholders to approve the merger, Pacer must pay XPO \$3.0 million in respect of XPO's fees and expenses incurred in connection with the merger agreement and the related transactions. In no event will XPO be entitled to receive the termination fee more than once, the full termination fee and these cash payments, or both of the cash payments.

*Pacer Expense Reimbursement.* If Pacer terminates the merger agreement due to XPO's breach of its representations, warranties or covenants, XPO must pay Pacer \$5.0 million in respect of the fees and expenses incurred by Pacer in connection with the merger agreement and the related transaction.

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**Accounting Treatment** (*see page 79*)

In accordance with accounting principles generally accepted in the United States (which we refer to as "GAAP"), XPO will account for the merger using the acquisition method of accounting for business combinations.

**Material U.S. Federal Income Tax Considerations** (*see pages 114-115*)

For U.S. holders (as such term is defined below under "Material U.S. Federal Income Tax Considerations"), the receipt of the merger consideration in exchange for shares of Pacer common stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. Pacer shareholders should consult their own tax advisors regarding the particular tax consequences of the exchange of shares of common stock for the merger consideration pursuant to the merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws and tax treaties). For a more detailed discussion of the material U.S. federal income tax consequences of the merger to Pacer shareholders that are U.S. holders, please see the section titled "Material U.S. Federal Income Tax Considerations."

**Comparison of Rights of Pacer Shareholders and XPO Stockholders** (*see pages 116-126*)

The rights of Pacer shareholders are currently governed by Pacer's amended and restated charter, amended and restated bylaws and the TBCA. Pacer shareholders who receive XPO common stock in the merger will become XPO stockholders upon completion of the merger, and their rights as such will be governed by XPO's amended and restated certificate of incorporation, amended and restated bylaws and the Delaware General Corporate Law (which we refer to as the "DGCL"). As a result, Pacer shareholders will have different rights once they become stockholders of XPO due to the differences in the governing documents of and laws applicable to Pacer and XPO. The key differences are described in the section titled "Comparison of Rights of Pacer Shareholders and XPO Stockholders."

**Expected Timing of the Merger** (*see page 78*)

XPO and Pacer currently expect to complete the merger in the second quarter of 2014, subject to the receipt of required Pacer shareholder and regulatory approval and the satisfaction or waiver of the other conditions to completion of the merger. Because many of the conditions to completion of the merger are beyond the control of XPO and Pacer, exact timing for completion of the merger cannot be predicted with any amount of certainty.

**Litigation Related to the Merger** (*see page 80*)

Between January 8 and January 16, 2014, five substantially identical putative class actions were filed in the Tennessee Chancery Court against Pacer, its directors, XPO and Merger Sub, challenging the merger. The first of those actions, entitled *Iseman v. Pacer International, Inc. et al.*, was filed in the Chancery Court for Shelby County. The remaining four, entitled, *Weingarten v. Pacer International, Inc. et al.*; *Mahmutagic v. Pacer International, Inc. et al.*; *Frazier v. Pacer International, Inc. et al.*; and *Blackwell v. Pacer International, Inc. et al.*, were filed in the Chancery Court for Davidson County. By stipulation and order dated February 18, 2014, the *Iseman* case was transferred to Davidson County and, by order dated February 20, 2014, the Chancery Court for Davidson County consolidated the five pending cases under the caption *In re Pacer International, Inc. Shareholder Litigation*, No. 14-39-IV. The operative complaint in the consolidated case alleges, among other things, that the directors of Pacer breached their fiduciary duties to Pacer's shareholders in connection with the proposed acquisition of Pacer by XPO and Merger Sub, by agreeing to the proposed merger at an allegedly unfair price pursuant to a purportedly flawed and conflicted sales process, by including certain allegedly preclusive deal-protection measures, and by misrepresenting and/or omitting certain allegedly material information. The complaint alleges that XPO and Merger Sub aided and abetted these



breaches of fiduciary duty. The complaint seeks, among other things, injunctive relief preventing the consummation of the merger, as well as attorneys' and experts' fees and certain other damages.

**Table of Contents****XPO Selected Historical Consolidated Financial Data**

The following table shows XPO's selected audited historical consolidated financial data as of and for each of the years ended December 31, 2012, 2011, 2010, 2009 and 2008, and unaudited consolidated financial data for each of the nine months ended September 30, 2013 and 2012 and are derived from XPO's consolidated financial statements.

You should read the historical and pro forma financial data in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto set forth in XPO's Annual Report on Form 10-K for the year ended December 31, 2012 and XPO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, as well as in Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto set forth in Pacer's Annual Report on Form 10-K for the year ended December 31, 2012, Pacer's Quarterly Report on Form 10-Q for the nine months ended September 30, 2013, which are incorporated by reference into this document. See Where You Can Find More Information.

**XPO LOGISTICS, INC.****CONSOLIDATED STATEMENT OF OPERATIONS DATA AND BALANCE SHEET DATA**

(In thousands, except per share data)

	<b>Nine Months Ended</b>		<b>Year Ended December 31,</b>				
	<b>September 30,</b>	<b>September 30,</b>					
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Consolidated Statements of Operations Data:</b>							
Operating revenue	\$ 445,071	\$ 170,088	\$ 278,591	\$ 177,076	\$ 157,987	\$ 100,136	\$ 109,462
Gross margin	70,435	25,163	40,826	29,778	27,400	16,740	17,834
(Loss) income from continuing operations			(20,339)	759	4,888	1,690	2,817
Income from discontinued operations						15	339
Preferred stock beneficial conversion charge				(44,211)			
Cumulative preferred dividends	2,229	2,250	(2,993)	(1,125)			
Net (loss) income available to common stockholders	\$ (40,161)	(13,270)	\$ (23,332)	\$ (44,577)	\$ 4,888	\$ 1,705	\$ 3,156
(Loss) Earnings per share							
Basic	\$ (1.99)	\$ (0.89)	\$ (1.49)	\$ (5.41)	\$ 0.61	\$ 0.21	\$ 0.40
Diluted			(1.49)	(5.41)	0.59	0.21	0.40
Weighted average common shares outstanding							
Basic	20,167	14,952	15,694	8,247	8,060	8,009	7,863

Diluted	20,167	14,952	15,694	8,247	8,279	8,042	7,939
<b>Consolidated Balance Sheet Data:</b>							
Working capital	\$ 118,092	\$ 317,510	\$ 271,907	\$ 83,070	\$ 12,314	\$ 970	\$ 4,428
Total assets	\$ 700,332	\$ 387,771	\$ 413,208	\$ 127,641	\$ 56,672	\$ 49,039	\$ 41,682
Convertible senior notes	\$ 112,717	\$ 92,757	\$ 108,280				
Total long-term debt and capital leases	\$ 113,899	\$ 93,850	\$ 109,447	\$ 2,129	\$ 6,512	\$ 7,958	\$ 4,955
Preferred stock	\$ 42,765	\$ 42,794	\$ 42,794	\$ 42,794	\$	\$	\$
Stockholder's equity	\$ 456,747	\$ 252,738	\$ 245,059	\$ 108,360	\$ 34,013	\$ 28,404	\$ 26,527

XPO effected a 4-for-1 reverse stock split on September 2, 2011. All share and per share amounts have been adjusted to reflect the reverse stock split. Results for the fiscal year ended December 31, 2011 reflect the beneficial conversion feature of \$44.2 million on XPO's Series A Preferred Stock that was recorded as a deemed distribution during the third quarter of 2011.

**Table of Contents****Pacer Selected Historical Consolidated Financial Data**

The following table shows Pacer's selected audited historical consolidated financial data as of and for each of the years ended December 31, 2012, 2011, 2010, 2009, and 2008 and unaudited historical consolidated financial data as of and for each of the nine months ended September 30, 2013 and 2012 and are derived from Pacer's consolidated financial statements. You should read the following data in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto set forth in Pacer's Annual Report on Form 10-K for the year ended December 31, 2012 and Pacer's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, which are incorporated by reference into this document. See Where You Can Find More Information and Unaudited Pro Forma Financial Information included elsewhere in this document. The following information is only a summary and is not necessarily indicative of the results of future operations of Pacer.

**PACER INTERNATIONAL, INC.****CONSOLIDATED STATEMENT OF OPERATIONS DATA AND BALANCE SHEET DATA****(Dollars in thousands, except per share amounts)**

	Nine Months Ended			Fiscal Year Ended			
	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 26, 2008
<b>Statement of Comprehensive Income Data:</b>							
Revenues	\$ 720,700	\$ 1,063,100	\$ 1,415,000	\$ 1,478,500	\$ 1,502,800	\$ 1,574,200	\$ 2,087,500
Costs of purchased transportation and services(1)	551,300	890,700	1,181,500	1,218,700	1,251,700	1,304,200	1,675,900
Direct operating expenses(1)	70,200	76,400	101,600	105,800	107,000	140,400	148,900
Selling, general and administrative expenses(1)	89,600	91,400	123,400	131,800	138,500	164,000	172,800
Goodwill impairment charge(2)						200,400	87,900
Other income(3)	(800)	(200)	(400)	(4,800)	(2,500)	(18,900)	
Income (loss) from operations	10,400	4,800	8,900	27,000	8,100	(215,900)	2,000
Net income (loss)	6,000	2,100	4,300	13,900	900	(174,800)	(16,400)
Net income (loss) per share:							

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Basic	\$	0.17	\$	0.06	\$	0.12	\$	0.40	\$	0.03	\$	(5.03)	\$	(0.47)
Diluted	\$	0.17	\$	0.06	\$	0.12	\$	0.40	\$	0.03	\$	(5.03)	\$	(0.47)
Weighted average common shares outstanding:														
Basic		35,270,337		35,064,057		35,069,099		34,959,819		34,921,594		34,767,275		34,616,598
Diluted		35,559,160		35,328,023		35,338,338		35,066,417		34,946,175		34,767,275		34,616,598
Cash dividends declared per common share														
	\$		\$		\$		\$		\$		\$		\$	0.60

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	Nine Months Ended			Fiscal Year Ended			
	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 26, 2008
<b>Balance Sheet Data</b>							
<b>(at period end):</b>							
Total assets	\$ 226,900	\$ 241,700	\$ 234,000	\$ 243,300	\$ 261,900	\$ 275,200	\$ 494,600
Total debt including capital leases (excluding overdraft)					13,400	23,300	44,600
Total stockholders equity	127,400	118,000	120,200	115,300	98,500	96,800	270,400
Working capital	64,000	47,000	52,200	46,700	30,900	13,900	46,100
<b>Cash Flow Data:</b>							
Net cash provided by (used in) operating activities	26,400	(3,900)	\$ 6,100	\$ 33,400	\$ 16,100	\$ 12,500	\$ 59,600
Net cash provided by (used in) investing activities	(6,600)	(7,400)	(9,500)	(100)	(3,000)	15,700	(23,000)
Net cash used in financing activities	(300)	(400)	(400)	(13,500)	(11,700)	(30,400)	(38,100)
<b>Other Financial Data:</b>							
Capital Expenditures(4)	\$ 6,600	\$ 9,300	\$ 11,400	\$ 8,000	\$ 8,200	\$ 9,200	\$ 24,800

- (1) Certain reclassifications have been made to the 2011, 2010, 2009 and 2008 operating expenses in order to conform to the 2012 presentation. The reclassifications had no impact on previously reported income. Specifically, Pacer reclassified certain expenses from selling, general and administrative to costs of purchased transportation and services and direct operating expenses. Pacer also reclassified depreciation and amortization as direct operating expenses and selling, general and administrative expenses.
- (2) In 2009, in accordance with Accounting Standards Codification ( ASC ) 350, Pacer recorded a \$200.4 million pre-tax write-off of goodwill (\$161.0 after-tax or \$4.63 per share) related to Pacer's intermodal and logistics segments of \$169.0 million and \$31.4 million, respectively. In 2008, Pacer recorded an \$87.9 million pre-tax write-off of goodwill (\$73.3 million after-tax or \$2.11 per share) related to the logistics segment.
- (3) Other income in 2010 and 2011 includes a gain on sale of containers and chassis of \$2.5 million and a gain on sale of railcars of \$4.7 million, respectively. Other income in 2009 includes a \$17.5 million gain related to the \$30 million payment Pacer received from Union Pacific Railroad in connection with the new commercial arrangements Pacer entered into with Union Pacific Railroad in November 2009, net of \$1.2 million of accelerated chassis delivery costs. The remaining \$11.3 million associated with this transaction was amortized to cost of purchased transportation and services over the remaining term (October 11, 2011) of Pacer's legacy agreement with Union Pacific Railroad. In addition, other income in 2009 also includes a \$1.4 million gain on the sale of certain assets of Pacer former truck services unit.
- (4) 2009 includes \$4.6 million and 2008 includes \$16.6 million for acquisition and implementation of software licensed under an agreement with SAP America, Inc.



**Table of Contents****Unaudited Comparative Per Share Information of XPO and Pacer**

The following table sets forth for the periods presented (i) the historical earnings from continuing operations and book value per XPO common stock and historical XPO cash distributions, (ii) the historical earnings from continuing operations and book value per share of Pacer common stock and historical Pacer cash distributions, (iii) the unaudited pro forma earnings and book value per share information after giving effect to the merger and (iv) the equivalent pro forma per share amount attributable to the merger consideration that will be received for each share of Pacer common stock in the merger. The merger consideration consists of a combination of:

\$6.00 in cash; and

a fraction of a share of XPO common stock equal to \$3.00 divided by the XPO reference stock price, with such fraction rounded to the nearest 1/10,000; *provided* that, if the XPO reference stock price is less than or equal to \$23.12, then the exchange ratio will be fixed at 0.1298 of a share of XPO common stock, and if the XPO reference stock price is greater than or equal to \$32.94 per share, then the exchange ratio will be fixed at 0.0911 of a share of XPO common stock.

You should read this information in conjunction with (i) XPO Selected Historical Consolidated Financial Data and Pacer Selected Historical Consolidated Financial Data included elsewhere in this document, (ii) the historical consolidated financial statements of XPO and Pacer and related notes thereto that are incorporated by reference into this document and (iii) Unaudited Pro Forma Financial Information included elsewhere in this document. The unaudited pro forma per share information does not purport to represent what the actual results of operations of XPO and Pacer would have been had the merger been completed in another period or to project XPO's and Pacer's results of operations that may be achieved if the merger is completed.

(in thousands, except per share amount)	Nine Months Ended	
	September 30, 2013	Year Ended December 31, 2012
<b>Historical XPO</b>		
Earnings from Continuing Operations Per Share:		
Basic	\$ (1.99)	\$ (1.49)
Diluted	(1.99)	(1.49)
Cash distributions		
Book value per share	15.27	13.65
<b>Historical Pacer</b>		
Earnings from Continuing Operations Per Share:		
Basic	\$ 0.17	\$ 0.12
Diluted	\$ 0.17	\$ 0.12
Cash distributions		
Book value per share	3.61	3.43
<b>Pro Forma Combined(1)</b>		
Earnings Per Share:		
Basic	\$ (1.42)	\$ (1.47)



Diluted	(1.42)	(1.47)
Book value per share	17.96	
Equivalent Pro Forma Per Share(1)		
Earnings Per Share:		
Basic	\$ (0.14)	\$ (0.15)
Diluted	(0.14)	(0.15)
Book value per share	1.83	

- (1) The pro forma information includes the effect of the merger on the basis described in the unaudited pro forma financial statements included elsewhere in this document.

**Table of Contents****Comparative XPO and Pacer Per Share Market Price Data**

XPO common stock is currently listed on the NYSE under the ticker symbol XPO. Pacer common shares are currently listed on NASDAQ under the ticker symbol PACR.

The following table presents closing prices for XPO common stock and Pacer common shares on (i) January 3, 2014 the last trading day before the public announcement of the execution of the merger agreement and (ii) February 20, 2014, the last practicable trading day before the date of this document. This table also presents the equivalent market value per share of Pacer on January 3, 2014 and February 20, 2014. The equivalent market value per share of Pacer has been determined by multiplying the closing prices of XPO common stock on those dates by the exchange ratio, which is \$3.00 divided by XPO reference stock price, with such fraction rounded to the nearest 1/10,000; *provided* that, if the XPO reference stock price is less than or equal to \$23.12, then the exchange ratio will be fixed at 0.1298 of a share of XPO common stock, and if the XPO reference stock price is greater than or equal to \$32.94 per share, then the exchange ratio will be fixed at 0.0911 of a share of XPO common stock.

The market prices of XPO common stock and Pacer common shares will fluctuate before the merger is completed and the market value of the merger consideration ultimately received by Pacer shareholders will depend on the closing price of XPO common stock on the day the merger is consummated. Therefore, Pacer shareholders will not know the exact value of the merger consideration they will receive until the closing of the merger.

	<b>XPO Common Stock</b>	<b>Pacer Common Shares</b>	<b>Equivalent Pacer Value per Share</b>
January 3, 2014	\$ 28.03	\$ 8.33	\$ 9.00
February 20, 2014	\$ 27.18	\$ 8.91	\$ 9.00

The tables below set forth, for the calendar quarters indicated, the high and low sale prices per XPO common share on the NYSE and per share of Pacer on NASDAQ. The tables also show the amount of cash distributions and cash dividends declared on XPO common stock and Pacer common shares, respectively, for the calendar quarters indicated. The information in the table below is historical only. XPO and Pacer urge Pacer shareholders to obtain current market quotations for XPO common stock and Pacer common shares.

(in dollars)	<b>XPO Common Stock</b>			<b>Pacer Common Shares</b>		
	<b>High</b>	<b>Low</b>	<b>Cash Distributions Declared</b>	<b>High</b>	<b>Low</b>	<b>Cash Dividends Declared</b>
<b>Fiscal Year Ended December 31, 2014</b>						
First Quarter (through February 20, 2014)	\$ 30.90	\$ 23.74		\$ 9.14	\$ 8.23	
<b>Fiscal Year Ended December 31, 2013</b>						
Fourth Quarter	\$ 27.41	\$ 19.37		\$ 9.23	\$ 6.00	
Third Quarter	\$ 25.68	\$ 17.82		\$ 6.70	\$ 5.87	
Second Quarter	\$ 18.42	\$ 15.48		\$ 6.67	\$ 4.55	
First Quarter	\$ 19.10	\$ 16.35		\$ 5.21	\$ 3.75	

**Fiscal Year Ending December 31, 2012**

Fourth Quarter	\$ 17.45	\$ 11.54	\$ 5.50	\$ 3.00
Third Quarter	\$ 16.82	\$ 11.88	\$ 5.93	\$ 3.65
Second Quarter	\$ 19.40	\$ 15.00	\$ 7.04	\$ 5.11
First Quarter	\$ 18.60	\$ 11.20	\$ 6.39	\$ 5.21
<b>Fiscal Year Ended December 31, 2011</b>				
Fourth Quarter	\$ 12.80	\$ 6.61	\$ 5.66	\$ 3.30
Third Quarter	\$ 17.52	\$ 7.46	\$ 5.64	\$ 3.40
Second Quarter	\$ 13.92	\$ 8.20	\$ 6.11	\$ 4.46
First Quarter	\$ 12.40	\$ 7.96	\$ 7.29	\$ 4.42

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**Recent Developments**

On February 5, 2014, XPO completed a registered underwritten public offering of 15,000,000 shares of its common stock at a price to the public of \$25.00 per share. In addition, on February 11, 2014, XPO completed the sale of an additional 2,250,000 shares of its common stock also at a price to the public of \$25.00 per share pursuant to an option it granted the underwriters in the offering to purchase such additional shares for up to 30 days. XPO received combined net proceeds from the original offering and additional shares of approximately \$414.0 million after underwriting discounts and estimated expenses. XPO intends to use the net proceeds of the offering, together with cash on hand, to finance the cash portion of the purchase price for the merger, to pay related fees and expenses and for general corporate purposes, which may include strategic acquisitions and the repayment or refinancing of outstanding indebtedness. Following the completion of this offering, XPO terminated commitments it had received in connection with executing the merger agreement that had provided for debt financing to fund the cash portion of the merger consideration.

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### **RISK FACTORS**

*In addition to the other information included and incorporated by reference into this document, including the matters addressed in the section titled **Cautionary Statement Regarding Forward-Looking Statements**, you should carefully consider the following risks before deciding whether to vote for the approval of the merger agreement. In addition, you should read and consider the risks associated with each of the businesses of XPO and Pacer. These risks can be found in XPO's and Pacer's respective Annual Reports on Form 10-K for the year ended December 31, 2012, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and incorporated by reference into this document. For further information regarding the documents incorporated into this document by reference, please see the section titled **Where You Can Find More Information**.*

#### **Risk Factors Related to the Merger**

***The value of the per share stock consideration payable to Pacer shareholders is subject to changes based on fluctuations in the value of XPO common stock and you may receive per share stock consideration with a value that is more or less than \$3.00 per share in certain circumstances.***

The market value of XPO common stock will fluctuate during the period before the date of the special meeting of shareholders to vote on the approval of the merger agreement, during the ten trading day period that the exchange ratio will be based upon and the time between the effective date of the merger and the time you receive merger consideration in the form of XPO common stock. XPO's trading price on the NYSE has fluctuated in the past. The closing price of one share of XPO common stock on February 20, 2014, the last practicable trading day before the date of this proxy statement/prospectus, was \$27.18.

In the merger, each share of Pacer issued and outstanding as of immediately prior to the merger (other than shares owned by Pacer's subsidiaries, XPO, Merger Sub or any of their subsidiaries) will be converted into the right to receive a combination of:

\$6.00 in cash; and

a fraction of a share of XPO common stock equal to \$3.00 divided by the XPO reference stock price, with such fraction rounded to the nearest 1/10,000; *provided* that, if the XPO reference stock price is less than or equal to \$23.12, then the exchange ratio will be fixed at 0.1298 of a share of XPO common stock, and if the XPO reference stock price is greater than or equal to \$32.94 per share, then the exchange ratio will be fixed at 0.0911 of a share of XPO common stock.

The exchange ratio is subject to a collar and may fluctuate depending on the XPO reference stock price, which is measured during the ten-day period prior to the closing of the merger. If the XPO reference stock price is between \$23.12 and \$32.94, then the number of shares of XPO common stock exchangeable for each share of Pacer common stock will be determined by dividing \$3.00 by XPO reference stock price. Within the price range prescribed by the collar, the exchange ratio floats so as to ensure that the value of XPO common stock to be received as a portion of the merger consideration for each share of XPO common stock will be \$3.00, resulting in total consideration of \$9.00. However, if the XPO reference stock price is less than or equal to \$23.12, the exchange ratio will be fixed at 0.1298 shares of XPO common stock for each share of XPO common stock. If the XPO reference stock price is greater than or equal to \$32.94, the exchange ratio will be 0.0911 shares of XPO common stock for each share of Pacer common stock. Accordingly, if the XPO reference stock price is less than the low end of the collar, then the value of the per

share stock consideration may be less than \$3.00, which would result in total consideration of less than \$9.00. Conversely, if XPO reference stock price is greater than the high end of the collar, then per share stock consideration may be greater than \$3.00, which would result in total consideration of more than \$9.00.

At the time that Pacer shareholders cast their votes regarding approval of the merger agreement, Pacer shareholders will not know the actual market value of the shares of XPO common stock that they will receive when the merger is finally completed. The actual market value of the shares of XPO common stock, when

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received by Pacer shareholders, will depend on the market value of those shares on that date. This market value may be less than the value of the shares of XPO common stock on the date of the merger agreement and on the date that Pacer shareholders vote on the merger agreement and may be less than the XPO reference stock price. Fluctuations in the market value of shares of XPO common stock may be caused by changes in the businesses, operations, results and prospects of both XPO and Pacer, market expectations of the likelihood that the merger will be completed and the timing of the completion, general market and economic conditions or other factors. Pacer shareholders are urged to obtain current market quotations for shares of XPO common stock.

***The merger is subject to various closing conditions, and any delay in completing the merger may reduce or eliminate the benefits expected and delay the payment of the merger consideration to shareholders.***

The merger is subject to the satisfaction of a number of conditions beyond the parties' control that may prevent, delay or otherwise materially adversely affect the completion of the transaction. These conditions include, among others, (1) the approval of the merger by stockholders owning a majority of Pacer common stock entitled to vote at the special meeting, (2) the effectiveness of the registration statement on Form S-4 for the XPO common stock to be issued in the merger, (3) the approval of the listing of the XPO common stock on the NYSE and (5) the absence of any law or order prohibiting the consummation of the merger.

Pacer and XPO cannot predict with certainty whether and when any of these conditions will be satisfied. Any delay in completing the merger could cause the combined company not to realize, or delay the realization, of some or all of the benefits that the companies expect to achieve from the transaction. In such context, the date of which Pacer shareholders will receive the merger consideration is also uncertain.

***Certain executive officers and directors of Pacer may have interests in the merger that may differ from, or be in addition to, the interests of Pacer stockholders.***

Executive officers of Pacer negotiated the terms of the merger agreement with their counterparts at XPO, and the Pacer board of directors unanimously has determined that the merger is advisable, substantively and procedurally fair to, and in the best interests of Pacer and its shareholders. Therefore, the Pacer board of directors has authorized, approved and adopted the merger agreement and the transactions contemplated by the merger agreement and recommends that the Pacer shareholders vote FOR the approval of the merger agreement. In considering these facts and the other information contained in this proxy statement/prospectus, you should be aware that Pacer's executive officers and directors may have financial interests in the merger that may be different from, or in addition to, the interests of Pacer shareholders. These interests include the rights to accelerated vesting and settlement of equity awards, payments in connection with the termination of employment, equity award grants, and the right to indemnification and insurance coverage following the effective time of the merger. For a detailed discussion of the interests that Pacer's directors and executive officers may have in the merger, see Proposal 1: The Merger Interests of Pacer's Directors and Executive Officers in the Merger.

***The merger agreement contains provisions that could discourage a potential acquirer of Pacer from seeking to acquire Pacer or could result in a competing proposal being offered at a lower price than it might otherwise be.***

The merger agreement contains provisions that make it more difficult for Pacer to sell its business to a party other than XPO. These provisions include the general prohibition on Pacer soliciting any acquisition proposal or offer for a competing transaction from a third party, and the requirement that Pacer pay XPO a termination fee of \$12.4 million if the merger agreement is terminated in specified circumstances, including in the event Pacer terminates the merger agreement in response to an acquisition proposal from a third party it determines constitutes a superior offer, or up to \$5.0 million of XPO's expenses if the merger agreement is terminated in other specified circumstances. In addition,

even if the Pacer board of directors receives a superior offer, it must, prior to accepting any offer from a competing bidder, provide XPO with the opportunity to amend the merger



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agreement such that the third-party offer no longer constitutes a superior offer. See The Merger Agreement Termination of the Merger Agreement and The Merger Agreement Termination Fee and XPO Expenses.

The foregoing may discourage a third party that might have an interest in acquiring all or a significant part of Pacer from considering or proposing an acquisition, even if that party were prepared to pay consideration with a higher per share value than the current proposed merger consideration. Furthermore, the termination fee and the XPO expense reimbursement provisions may result in a potential competing acquiror proposing to pay a lower per share price to acquire Pacer than it might otherwise have proposed to pay.

***The unaudited pro forma financial statements included in this document are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the merger.***

The unaudited pro forma financial statements contained in this document are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates, and may not be an indication of the combined company's financial condition or results of operations following the merger for several reasons. See Unaudited Pro Forma Financial Information. The actual financial condition and results of operations of the combined company following the merger may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect the combined company's financial condition or results of operations following the merger. Any potential decline in the combined company's financial condition or results of operations may cause significant variations in the price of shares of XPO common stock after completion of the merger.

***The failure to successfully combine the businesses of XPO and Pacer in the expected time frame may adversely affect XPO's future results, which may adversely affect the value of the shares of XPO common stock that Pacer shareholders would receive in the merger.***

The success of the merger will depend, in part, on the ability of XPO to realize the anticipated benefits from combining the businesses of XPO and Pacer. To realize these anticipated benefits, XPO's and Pacer's businesses must be successfully combined. If the combined company is not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual integration may result in additional and unforeseen expenses, which could reduce the anticipated benefits of the merger.

XPO and Pacer, including their respective subsidiaries, have operated and, until the completion of the merger, will continue to operate independently. It is possible that the integration process could result in the loss of key employees, as well as the disruption of each company's ongoing businesses or inconsistencies in their standards, controls, procedures and policies. The combined company's results of operations also could be adversely affected by any issues attributable to either company's operations that arise or are based on events or actions that occur prior to the closing of the merger. Any or all of those occurrences could adversely affect the combined company's ability to maintain relationships with customers and employees after the merger or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of XPO and Pacer.

***A different set of factors and conditions affect shares of XPO common stock and could have a negative impact on the share price.***

Upon completion of the merger, Pacer shareholders will become stockholders in XPO. The businesses of XPO and the other companies it has acquired and may acquire in the future are different in many respects from

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those of Pacer. There is a risk that various factors, conditions and developments which would not affect the price of Pacer's common stock could negatively affect the price of shares of XPO common stock. Please see the section titled

Cautionary Statement Regarding Forward-Looking Statements for a summary of some of the key factors that might affect XPO and the prices at which shares of XPO common stock may trade from time to time. Pacer shareholders are also urged to read carefully the risk factors included in XPO's Annual Report on Form 10-K for the year ended December 31, 2012 and any subsequent Quarterly Reports on Form 10-Q, which are or will be incorporated by reference into this document.

***Pending litigation against Pacer and XPO could result in an injunction preventing completion of the merger, the payment of damages in the event the merger is completed and/or may adversely affect the combined company's business, financial condition or results of operations following the merger.***

In connection with the merger, purported shareholders of Pacer have filed several putative shareholders class action lawsuits against Pacer, its board of directors, XPO and Merger Sub in Tennessee. Among other remedies, the plaintiffs seek injunctive relief preventing the consummation of the merger. If a final settlement is not reached, or if a dismissal is not obtained, these lawsuits could prevent or delay completion of the merger and result in substantial costs to XPO and Pacer, including any costs associated with the indemnification of directors. Additional lawsuits may be filed against XPO and/or Pacer related to the merger. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is completed may adversely affect the combined company's business, financial condition or results of operations. See the section titled Proposal 1: The Merger Litigation Related to the Merger.

***Pacer shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

Pacer shareholders currently have the right to vote in the election of the Pacer board of directors and other matters affecting Pacer. When the merger occurs, each Pacer shareholder that receives shares of XPO common stock will become a stockholder of XPO with a percentage ownership of the combined organization that is much smaller than such shareholder's percentage ownership of Pacer. Because of this, Pacer shareholders will have less influence on the management and policies of XPO than they have now on the management and policies of Pacer.

***Shares of XPO common stock to be received by Pacer shareholders as a result of the merger will have different rights from Pacer common stock.***

Following completion of the merger, Pacer shareholders will no longer hold Pacer shares, but will instead be stockholders of XPO. There are important differences between the rights of Pacer shareholders and the rights of XPO shareholders. See Comparison of Rights of Pacer Shareholders and XPO Stockholders for a discussion of the different rights associated with Pacer common stock and XPO common stock.

***If the merger agreement is terminated, under certain circumstances, Pacer may be obligated to reimburse XPO for costs incurred related to the merger or pay a termination fee to XPO. These costs could require Pacer to seek loans or use Pacer's available cash that would have otherwise been available for operations, dividends or other general corporate purposes.***

In certain circumstances, Pacer would be responsible for reimbursing XPO for up to \$5 million in expenses related to the transaction or may be obligated to pay a termination fee to XPO of \$12.4 million. If the merger agreement is terminated, the expense reimbursement or termination fee required to be paid, if any, by Pacer under the merger agreement may require Pacer to seek loans or borrow amounts to enable it to pay these amounts to XPO. In either case, payment of these amounts would reduce the cash Pacer has available for operations, dividends or other general

corporate purposes. See The Merger Agreement Termination Fee and XPO Expenses.

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***The pendency of the merger could materially adversely affect the future business and operations of Pacer or result in a loss of Pacer employees.***

In connection with the pending merger, it is possible that some customers, suppliers and other persons with whom Pacer has a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationship with Pacer as a result of the merger, which could negatively impact revenues, earnings and cash flows of Pacer, as well as the market price of Pacer common shares, regardless of whether the merger is completed. Similarly, current and prospective employees of Pacer may experience uncertainty about their future roles with XPO and Pacer following completion of the merger, which may materially adversely affect the ability of Pacer to attract and retain key employees.

***Under the terms of the merger agreement, Pacer is subject to certain restrictions on its business activities.***

The merger agreement generally requires Pacer to operate its business in the ordinary course pending consummation of the merger, and restricts Pacer from taking certain actions until the merger is completed. These restrictions may prevent Pacer from making desirable expenditures, including with regard to capital projects, pursuing otherwise attractive business opportunities and making other changes to its business prior to completion of the merger or termination of the merger agreement. See Proposal 1: The Merger Agreement Conduct of Business Pending Completion of the Merger.

***Failure to complete the merger could negatively affect the stock price of Pacer and its future businesses and financial results.***

If the merger is not completed, the ongoing business of Pacer may be adversely affected and Pacer will be subject to several risks and consequences, including the following:

under the merger agreement, Pacer may be required, under certain circumstances, to pay XPO a termination fee of \$12.4 million or XPO's expenses of up to \$5 million;

Pacer will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;

under the merger agreement, Pacer is subject to certain restrictions on the conduct of its business prior to completing the merger which may prevent Pacer from making desirable expenditures, including with regard to capital projects, pursuing otherwise attractive business opportunities and making other changes to its business prior to completion of the merger or termination of the merger agreement; and

matters relating to the merger may require substantial commitments of time and resources by Pacer management, which could otherwise have been devoted to other opportunities that may have been beneficial to Pacer as an independent company.

In addition, if the merger is not completed, Pacer may experience negative reactions from the financial markets and from its customers and employees. Pacer also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against Pacer to attempt to force it to perform its obligations under

the merger agreement.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This document includes forward-looking statements about XPO and Pacer that are subject to risks and uncertainties. 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, forecast, goal, guidance, outlook, effort, target or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include, but are not limited to, those discussed in XPO's and Pacer's filings with the SEC and the following:

economic conditions generally;

competition;

XPO's ability to find suitable acquisition candidates and execute its acquisition strategy;

the expected impact of the acquisition of Pacer, including the expected impact on XPO's results of operations;

the ability to obtain the requisite regulatory approvals, Pacer shareholder approval and the satisfaction of other conditions to consummation of the merger;

the ability to realize anticipated synergies and cost savings;

XPO's ability to raise debt and equity capital;

XPO's ability to attract and retain key employees to execute its growth strategy, including retention of Pacer's management team;

litigation, including litigation related to misclassification of independent contractors;

the ability to develop and implement a suitable information technology system;

the ability to maintain positive relationships with XPO's and Pacer's network of third-party transportation providers;

the ability to retain XPO's and Pacer's largest customers;

litigation related to the merger;

XPO's ability to successfully integrate Pacer and other acquired businesses; and

governmental regulation.

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 will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, XPO, Pacer or their respective businesses or operations. Forward-looking statements set forth in this document speak only as of the date hereof, and neither XPO nor Pacer 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.



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**INFORMATION ABOUT THE COMPANIES**

**XPO Logistics, Inc.**

XPO, a Delaware corporation, together with its subsidiaries, is a leading non-asset provider of transportation logistics services. XPO acts as a middleman between shippers and carriers who outsource their transportation logistics to XPO as a third-party provider. As of December 31, 2013, XPO operated at 94 locations: 73 company-owned branches and 21 agent-owned offices.

XPO offers its services through three business segments. Its freight brokerage segment places shippers' freight with qualified carriers, primarily trucking companies. Its expedited transportation segment facilitates urgent shipments via independent over-the-road contractors and air charter carriers. Its freight forwarding segment arranges domestic and international shipments using ground, air and ocean transport through a network of agent-owned and company-owned locations.

In September of 2011, following the equity investment in XPO led by Jacobs Private Equity, LLC, XPO began to implement a three-pronged strategy to leverage its strengths including management expertise, operational scale and capital resources with the goal of significant growth and value creation. XPO's strategy is focused on the optimization of operations, strategic acquisitions of attractive, highly scalable companies and organic growth through the opening of cold-start locations.

By executing its strategy, XPO has built leading positions in some of the fastest-growing sectors of transportation logistics. In North America, XPO is the fourth largest provider of freight brokerage services, which, driven by an outsourcing trend, is growing at two to three times the rate of GDP. XPO's acquisitions of 3PD Holding, Inc. and Optima Service Solutions, LLC in 2013 made it the largest provider of heavy goods last-mile delivery logistics in North America, a \$13 billion sector which, driven by outsourcing by big-box retailers and e-commerce, is growing at five to six times the rate of GDP. In part due to XPO's acquisition of National Logistics Management in December of 2013, it now manages more expedited shipments than any other company in North America and has established a foothold in managed transportation. Expediting is growing due to a trend toward just-in-time inventories in manufacturing. Upon completion of the acquisition of Pacer, XPO will be the third largest provider of intermodal services in North America and the largest provider of cross-border Mexico intermodal services, a sector that, driven by the efficiencies of long-haul rail and the growth of near-shoring of manufacturing in Mexico, is growing at three to five times the rate of GDP. XPO believes its broad service offering gives it a competitive advantage as many customers, particularly large shippers, focus their relationships on fewer, larger third party logistics providers with deep capacity across a wide range of services.

XPO's executive offices are located at Five Greenwich Office Park, Greenwich, CT 06831. Its telephone number is (855) 744-7976.

**Pacer International, Inc.**

Pacer, a Tennessee corporation, together with its subsidiaries, is a leading provider of intermodal transportation services in North America and the largest provider of intermodal cross border services in Mexico. Pacer offers its services through two business segments. Its intermodal segment offers intermodal transportation and drayage services via rail and truck. Pacer manages one of the largest domestic intermodal fleets in North America, and its contractual arrangements with rail carriers provide access to more than 60,000 miles of network rail routes. Its logistics segment provides truck brokerage, warehousing and distribution, global freight forwarding services and supply chain management services.

Pacer's executive offices are located at 6805 Perimeter Drive, Dublin, OH 43016. Its telephone number is (614) 923-1400.

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**Acquisition Sub, Inc.**

Merger Sub, a Tennessee corporation, is an indirect wholly owned subsidiary of XPO that was formed solely in contemplation of the merger, has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than as set forth in the merger agreement. Other than as set forth in this document, Merger Sub has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement. Merger Sub's principal executive offices are located at 15439 Old Hickory Blvd, Nashville, TN, 37211 and its telephone number is (855) 976-4636.

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**SPECIAL MEETING OF PACER SHAREHOLDERS**

This section contains information about the special meeting of Pacer shareholders that has been called, among other reasons, to approve the merger agreement, and to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger. This document is being furnished to Pacer shareholders in connection with the solicitation of proxies by the Pacer board of directors to be used at the special meeting. Pacer is first mailing this document and enclosed proxy card on or about February 24, 2014.

**Date, Time and Place of the Special Meeting**

A special meeting of Pacer shareholders will be held at Pacer's headquarters, 6805 Perimeter Drive, Dublin, Ohio 43016 on March 27, 2014, starting at 9:00 a.m., Eastern Time (unless it is adjourned or postponed to a later date).

**Admission to the Special Meeting**

All Pacer shareholders are invited to attend the special meeting. Persons who are not Pacer shareholders may attend only if invited by Pacer. Please bring proper identification, together with proof that you are a record owner of Pacer common stock. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement stating or showing that you beneficially owned shares of Pacer common stock on the record date.

**Purpose of the Special Meeting**

1. To consider and vote upon a proposal to approve the merger agreement;
2. To consider and cast an advisory (non-binding) vote on specified compensation that may be received by Pacer's named executive officers in connection with the merger;
3. To consider and vote upon any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement; and
4. To transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

**Recommendation of the Pacer Board of Directors**

After careful consideration of the numerous factors described in the section entitled "Proposal 1: The Merger" Reasons for the Merger and Recommendation of Pacer's Board of Directors, the Pacer board of directors unanimously has determined that the merger is advisable, substantively and procedurally fair to, and in the best interests of, Pacer and its shareholders. Therefore, the Pacer board of directors has authorized, approved and adopted the merger agreement and the transactions contemplated thereby and recommends that you vote **FOR** the approval of the merger agreement.

In addition, the Pacer board of directors recommends that you vote **FOR** the proposal to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger. Finally, the Pacer board of directors recommends that you vote **FOR** any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement.

Pacer shareholders should carefully read this document in its entirety for more detailed information concerning the merger agreement. In particular, Pacer shareholders are directed to the merger agreement, which is attached hereto as Annex A.

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### **Record Date; Shareholders Entitled to Vote; Outstanding Shares Held**

The Pacer board of directors has designated the close of business on February 21, 2014 as the record date that will determine the shareholders who are entitled to receive notice of, and to vote at, the special meeting or at any adjournment or postponement of the special meeting. Only holders of record at the close of business on the record date are entitled to vote at the special meeting. At the close of business on the record date, there were 35,388,493 shares of common stock outstanding, held by approximately 39 holders of record. Each holder of Pacer common shares is entitled to one vote per each share held.

### **Quorum**

A quorum is the presence in person or by proxy of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast at the meeting. There must be a quorum for the meeting to be held. Shares of Pacer common stock represented, but not voted, at the special meeting, including shares of Pacer common stock for which proxies have been received but from which shareholders have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

### **Abstentions**

Abstentions are not counted in the tally of votes for or against a proposal. Abstentions are counted as shares present and entitled to be voted and count for the purposes of determining whether a quorum is present.

### **Broker Non-Votes**

Under the rules that govern brokers who have record ownership of shares that they hold in street name for their clients who are the beneficial owners of the shares, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Broker non-votes occur when shares held by a broker are not voted with respect to a proposal because (1) the broker has not received voting instructions from the beneficial owner, and (2) the broker lacks the authority to vote the shares at his or her discretion. Broker non-votes are treated as Pacer common shares that are present and entitled to vote for the purposes of determining whether a quorum is present. If the broker does not receive instructions on how to vote a shareholder's shares, the broker will have discretion to vote the shares on routine matters. The broker will not have discretion to vote on non-routine matters absent direction from the shareholder, including the proposal to approve the merger agreement and the proposal to approve, on an advisory (non-binding) basis, specified compensation that may be received by Pacer's named executive officers in connection with the merger.

### **Required Vote**

The merger agreement must be approved by the affirmative vote of holders of a majority of the outstanding shares of Pacer common stock entitled to vote on the proposal at the special meeting. Abstentions and broker non-votes will have the effect of a vote against the merger agreement.

Approval of the advisory vote on specified compensation that may be received by Pacer's named executive officers in connection with the merger requires that the number of votes cast for the proposal by Pacer shareholders present in person or by proxy and entitled to vote at the special meeting exceeds the votes cast against the proposal. Abstentions and broker non-votes will have no effect on the outcome of the advisory vote.

Any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement requires that the number of votes cast for the proposal by Pacer shareholders present in person

or by proxy and entitled to vote at the special meeting exceeds the votes cast against the proposal. Abstentions and broker non-votes will have no effect on the outcome of the adjournment vote.

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### **Shares Beneficially Owned by Directors and Executive Officers**

The members of the Pacer board of directors and executive officers of Pacer beneficially owned an aggregate of 955,718 Pacer common shares as of February 20, 2014, including any common shares that such directors and officers have a right to acquire beneficial ownership of within 60 days of February 20, 2014. These shares represent in total approximately 2.7% of the total voting power of Pacer's voting securities.

### **Proxies**

You may vote in person by ballot at the special meeting or by submitting a proxy. Please submit your proxy even if you plan to attend the special meeting. If you attend the special meeting, you may vote by ballot, thereby canceling any proxy previously given.

Voting instructions are included on your proxy card. If you properly give your proxy and submit it to Pacer in time for it to be voted, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against the proposals or abstain from voting.

### **Shares Held in Street Name**

If you hold Pacer common shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or other nominee when voting your Pacer common shares or when granting or revoking a proxy.

Absent specific instructions from you, your broker is not empowered to vote your Pacer common shares. The shares not voted because brokers lack power to vote them without instructions are also known as broker non-votes.

### **How to Submit Your Proxy**

*By Mail:* To submit your proxy by mail, simply mark your proxy, date and sign it, and if you are a record holder of Pacer common shares, return it in the postage-paid envelope provided. If the envelope is missing, please address your completed proxy card to the address on your proxy card. If you are a beneficial owner, please refer to your instruction card or the information provided to you by your bank, broker, custodian or record holder.

*By Telephone:* If you are a Pacer shareholder of record, you can submit your proxy by telephone by calling the toll-free telephone number on your proxy card. Telephone voting is available 24 hours a day and will be accessible until 11:59 p.m. Eastern time on March 26, 2014. Easy-to-follow voice prompts allow you to submit your proxy and confirm that your instructions have been properly recorded. If you are a beneficial owner, please refer to your instruction card or the information provided by your bank, broker, custodian or record holder for information on whether telephone voting is offered. If you submit your proxy by telephone you do not need to return your proxy card. If you are located outside the United States, Canada and Puerto Rico, please read your proxy card or other materials for additional instructions.

*By Internet:* You can also choose to submit your proxy on the internet. If you are a Pacer shareholder of record, the website for internet voting is on your proxy card. Internet voting is available 24 hours a day and will be accessible until 11:59 p.m. Eastern time on March 26, 2014. If you are a beneficial owner, please refer to your instruction card or the information provided by your bank, broker, custodian or record holder for information on whether internet voting is offered. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. If you submit your proxy on the internet, you do not need to return your proxy card.





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*In Person:* If you are a Pacer shareholder of record, you may vote by ballot at the special meeting or send a representative with an acceptable proxy that has been signed and dated. If your Pacer common shares are held in the name of a bank, broker or other nominee, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the special meeting.

## **Revoking Your Proxy**

If you submit a completed proxy card with instructions on how to vote your Pacer common shares and then wish to revoke your instructions, you should submit a notice of revocation to the Secretary of Pacer as soon as possible. You may revoke your proxy by internet, telephone or mail at any time before it is voted:

by sending a written notice to the Secretary of Pacer at the address provided on the proxy card in time to be received before the special meeting stating that you revoke your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before the special meeting or by submitting a later dated proxy by telephone or the internet, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

if you are a holder of record, or if you hold a proxy in your favor executed by a holder of record, by attending the special meeting and voting in person.

## **Adjournments and Postponements**

Any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to approve the merger agreement requires that the number of votes cast for the proposal by Pacer shareholders present in person or by proxy and entitled to vote at the special meeting exceeds the votes cast against the proposal. Unless the Pacer board of directors fixes a new record date for the adjourned special meeting, or law otherwise requires, no notice of the adjourned special meeting will be given so long as the time and place to which the special meeting is adjourned are announced at the special meeting adjourning and, at the adjourned special meeting only such business is transacted as might have been transacted at the original special meeting.

In addition, at any time prior to convening the special meeting, the special meeting may be postponed without the approval of Pacer shareholders. If postponed, Pacer will publicly announce the new meeting date. Similar to adjournments, any postponement of the special meeting for the purpose of soliciting additional proxies will allow Pacer shareholders who have already sent in their proxies to revoke them at any time prior to their use.

## **Proxy Solicitation**

XPO and Pacer will each bear their own costs related to the merger and the retention of any information agent or other service provider in connection with the merger. This proxy solicitation is being made by Pacer on behalf of the Pacer board of directors. Pacer has hired D.F. King & Co., Inc. to assist in the solicitation of proxies. In addition to this mailing, proxies may be solicited by directors, officers or employees of Pacer or its affiliates in person or by telephone or electronic transmission. None of the directors, officers or employees will be directly compensated for such services.

## **Other Business**

The Pacer board of directors is not currently aware of any business to be acted upon at the special meeting other than the matters described in this document. If, however, other matters are properly brought before the special meeting, the persons appointed as proxies will have discretion to vote or act on those matters as in their judgment is in the best interest of Pacer and its shareholders.

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**PROPOSAL 1: THE MERGER**

**Background of the Merger**

As part of their periodic strategic evaluation of Pacer's business and efforts to enhance shareholder value, Pacer's board of directors and members of Pacer's senior management regularly review and assess Pacer's business plan and strategy, including a review of a variety of potential strategic alternatives. Since 2007, Morgan Stanley has acted as a regular financial advisor to Pacer's board of directors and its senior management in connection with, among other things, its periodic review of strategic alternatives. As part of that review, Pacer's board of directors has considered from time to time share repurchases, a regular or special dividend, the divestiture of certain of its businesses, or the sale of the entire business. During 2010 and 2011, this strategic evaluation included the effects, actual and projected, of the transition of Pacer's intermodal business from primarily a wholesale provider to other intermediaries to a retail provider directly to shippers in connection with the multi-year agreement that Pacer had reached with Union Pacific Railroad in November 2009.

In March 2012, Pacer received an unsolicited, non-public indication of interest from a financial sponsor (which we refer to as "Financial Sponsor A") to acquire Pacer for \$7.25 in cash per share of Pacer common stock. Based on its then-current assessment of Pacer's prospects, and taking into account advice from Morgan Stanley and Pacer's board of directors' outside legal counsel, Winston & Strawn LLP (which we refer to as "W&S"), by letter dated March 30, 2012, Pacer's board of directors responded to Financial Sponsor A that, in its view, the proposal was inadequate and not in the best interests of Pacer and its shareholders and that Pacer's long-term strategic plan, executed independently, was likely to result in greater value for Pacer shareholders. On April 6, 2012, Financial Sponsor A submitted a revised unsolicited, non-public indication of interest to acquire Pacer for \$7.50 in cash per share of Pacer common stock. After reviewing Financial Sponsor A's revised indication of interest, and taking into account advice from Morgan Stanley and W&S, Pacer's board of directors unanimously determined that, for the reasons stated above, the revised proposal was inadequate and not in the best interests of Pacer and its shareholders and by letter dated April 13, 2012, Pacer's board of directors responded to Financial Sponsor A's revised indication of interest, stating that, for the reasons discussed above, Pacer was not prepared to pursue further discussions at that time.

In January 2013, Bradley Jacobs, XPO's Chairman and Chief Executive Officer met with Dan Avramovich, Pacer's Chairman, Chief Executive Officer and President at an industry conference and briefly raised the possibility of a potential transaction in which XPO would acquire Pacer, but Mr. Avramovich indicated that, at that time, Pacer's board of directors was not interested in pursuing any such discussions.

On March 14, 2013, Mr. Jacobs contacted Mr. Avramovich indicating that (i) based upon Pacer's public guidance with respect to 2013 EBITDA, Mr. Jacobs had calculated a range of value for Pacer between \$5.75 per share and \$7.00 per share, and (ii) if there was interest by Pacer's board of directors, the parties should discuss the possibility of a transaction. Mr. Avramovich informed Pacer's board of directors of this correspondence, and, following discussion with the Pacer board of directors, responded to Mr. Jacobs that, at that time, Pacer was not interested in pursuing a transaction with XPO.

In July 2013, at the request of Pacer's senior management, Morgan Stanley conducted a preliminary analysis of potential strategic alternatives that might be available to Pacer, which included, among other things, a review of Pacer management's internal projections through 2016 (which we refer to as the "July Management Projections" and are described in more detail in the section entitled "Pacer's Unaudited Prospective Financial Information") and other financial information prepared by Pacer's senior management team, as well as discussions with Pacer's senior management regarding Pacer's business, strategy, results of operations and prospects.

On July 23 and 24, 2013, a regular meeting of Pacer's board of directors took place. John Hafferty, Pacer's chief financial officer, Michael Killea, Pacer's general counsel, and other members of Pacer's senior management team participated in portions of the meeting at the request of Pacer's board of directors.

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Representatives of Morgan Stanley and W&S also participated in portions of the meeting at the request of Pacer's board of directors. Representatives of Pacer's senior management discussed Pacer's strategic plan with Pacer's board of directors, including financial analyses comparing financial results from selling the logistics segment compared to executing the strategic plan. Representatives of W&S reviewed with Pacer's board of directors its fiduciary duties both generally and in a change-of-control context and responded to questions from directors. Representatives of Morgan Stanley reviewed with Pacer's board of directors Morgan Stanley's preliminary analysis of potential strategic alternatives that may be available to Pacer, which included a potential share buyback, a sale of Pacer's logistics business and a potential sale of the whole business, and responded to questions from Pacer's board of directors. Morgan Stanley's analysis was based upon, among other things, the July Management Projections, which were presented by Pacer management to Pacer's board of directors at the July 2013 meeting. Pacer's board of directors discussed the July Management Projections with senior management, and senior management indicated that, while those projections could be achieved, doing so would be challenging due to, among other things, the global economy and general execution risk. Representatives of Morgan Stanley and members of senior management left the meeting and the independent directors of Pacer's board of directors, in executive session, discussed the benefits and risks of each of the potential strategic alternatives reviewed with Morgan Stanley, as well as the universe of 28 potential buyers, including 14 strategic parties and 14 financial sponsors, identified jointly by Morgan Stanley and Pacer's senior management, that might potentially be interested in acquiring Pacer. Taking into account all of these factors and the advice of Morgan Stanley, among other things, Pacer's board of directors resolved to have Morgan Stanley conduct a targeted confidential process to identify potential strategic partners for Pacer.

In August 2013, at the direction of Pacer's board of directors, Morgan Stanley approached 14 potential buyers selected by Pacer's board of directors, in consultation with Morgan Stanley and Pacer's senior management, based on factors including previous industry investment expertise, perceived ability to recognize the value of Pacer's business, potential synergies, financial capability to complete a transaction, and likelihood of executing a transaction. Of those 14 parties, nine were strategic parties, including XPO, and five were financial sponsors. Of the 14 parties contacted by Morgan Stanley on behalf of Pacer, eight of the strategic parties, including XPO, and three of the financial sponsors, expressed preliminary interest in exploring a potential transaction. To facilitate the exchange of nonpublic information with those parties in order to allow them to evaluate a potential transaction, Pacer entered into confidentiality agreements with ten of the potentially interested parties, including on September 23, 2013 with XPO, and determined with respect to the eleventh that an existing confidentiality agreement with that party would facilitate such an exchange. Ten of the confidentiality agreements contained a standstill provision providing that such provision would be of no force or effect if Pacer entered into certain definitive agreements, including the merger agreement. The eleventh confidentiality agreement contained no standstill provision. All 11 parties were then provided with Pacer's confidential information package, which included, among other things, the July Management Projections, and four of those parties elected to participate in presentations by Pacer's senior management. From August 2013 through early October 2013, Pacer's senior management and representatives of Morgan Stanley had in-person meetings and/or engaged in intermittent discussions with all 11 parties that had signed confidentiality agreements and received the confidential information package. After consultation with Morgan Stanley, Pacer's board of directors decided to instruct Morgan Stanley to request that each of the 11 potentially interested parties submit to Morgan Stanley, on behalf of Pacer, by October 3, 2013 a non-binding written indication of interest to acquire Pacer.

On October 3, 2013, Morgan Stanley received written, non-binding indications of interest from XPO and two other potential strategic buyers (which we refer to as Strategic Party A and Strategic Party B). None of the remaining eight parties that had signed confidentiality agreements and received the confidential information package chose to submit an indication of interest, explaining to Morgan Stanley that they were not doing so due to, among other things, growth and strategic fit concerns and valuation levels. Strategic Party A's indication of interest valued Pacer common stock between \$8.00 and \$9.00 per share on a fully diluted basis, subject to customary business, financial, legal and accounting due diligence; Strategic Party B's indication of interest valued Pacer common stock at \$7.75 on a fully

diluted basis, subject to customary operational, legal and financial due diligence; and XPO's indication of interest valued Pacer common stock at \$8.00 per share on a fully diluted

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basis, subject to a due diligence review. XPO further indicated that it was open to discussing a transaction structure in which Pacer's shareholders would receive a portion of the consideration in the form of XPO common stock, which might allow XPO to increase its offer.

On October 7, 2013, a special meeting of Pacer's board of directors took place. Messrs. Hafferty, Killea and other members of Pacer's senior management team participated in portions of the meeting at the request of Pacer's board of directors. Mr. Avramovich discussed with Pacer's board of directors the strategic fit between Pacer and each of the three potential acquirers who submitted indications of interest, including XPO. Representatives of Morgan Stanley also participated in portions of the meeting and W&S participated in the entire meeting, each at the request of Pacer's board of directors. Representatives of Morgan Stanley then reviewed with Pacer's board of directors the indications of interest received from XPO, Strategic Party A and Strategic Party B, reported that the eight remaining parties that had received confidential information packages had withdrawn from the process and conveyed to Pacer's board of directors such parties' stated reasons for doing so, as discussed above. Representatives of Morgan Stanley then reviewed with Pacer's board of directors a comparison of the values reflected in the three indications of interest that had been received and compared such values with various financial analyses that had been conducted by Morgan Stanley based on, among things, the July Management Projections and senior management's then-current internal projections through 2016, which had been updated to take into account certain developments in Pacer's business since the July Management Projections, including the impact of a multi-year contract that had recently been renegotiated and certain risk adjustments deemed appropriate by management relating to volume and revenue growth rates, margin improvements and productivity assumptions, resulting in net downward adjustments of future years' projected revenue, operating income, EBITDA and earnings per share (we refer to these projections, which are described in more detail in the section entitled "Pacer's Unaudited Prospective Financial Information," as the "October Management Projections"). Pacer's board of directors then discussed other strategic alternatives available to Pacer that had been reviewed with Morgan Stanley at the July 2013 board meeting and the advantages and risks associated with pursuing a potential sale transaction. Following this discussion, taking into account advice from Morgan Stanley, Pacer's board of directors instructed Morgan Stanley to inform each of XPO, Strategic Party A and Strategic Party B that they had made it to the next round of the process, would be given access to Pacer's electronic data room, and would be receiving a final process letter soliciting a final bid. Pacer's board of directors also instructed Morgan Stanley to update its preliminary analysis of potential strategic alternatives that might be available to Pacer to take into account, among other things, the October Management Projections and other updated information.

On or about October 8, 2013, representatives of Morgan Stanley, on behalf of Pacer, communicated to XPO, Strategic Party A and Strategic Party B that they were being invited to participate in the second round of bidding and each of those parties received access to Pacer's electronic data room in late October. On October 30, 2013, at the request of Pacer's board of directors, Morgan Stanley delivered to each of XPO, Strategic Party A and Strategic Party B a final process letter requesting the submission of a definitive proposal to Morgan Stanley by November 25, 2013, including a marked copy of the draft merger agreement that would soon be made available in the electronic data room.

On October 16, 2013, representatives of Pacer's management team and Morgan Stanley met with members of XPO's management team in Dublin, Ohio, for a due diligence meeting. Representatives of KPMG LLP, XPO's due diligence advisor, and Credit Suisse AG and Credit Suisse Securities (USA) LLC, XPO's financial advisor, also attended.

On October 21, 2013, representatives of Pacer's management team and a representative of Morgan Stanley met with members of Strategic Party B's management team in Chicago, Illinois, for a due diligence meeting.

Certain due diligence discussions occurred between Pacer and Strategic Party A in October 2013, but no in-person due diligence sessions were requested by Strategic Party A.





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On October 22 and 23, 2013, a regular in-person meeting of Pacer's board of directors took place. Messrs. Hafferty, Killea and other members of Pacer's senior management team participated in the meeting at the request of Pacer's board of directors. Pacer's senior management presented to Pacer's board of directors its final 2014 strategic plan, which was based on, among other things, senior management's then-current internal projections through 2016, which had been updated since the October Management Projections to take into account certain risk adjustments deemed appropriate by management relating to volume and revenue growth rates, resulting in modest net downward adjustments of 2013 and future years' projected revenue, operating income, EBITDA and earnings per share (we refer to these projections, which are described in more detail in the section entitled "Pacer's Unaudited Prospective Financial Information," as the

Adjusted October Management Projections). Pacer's board of directors also discussed the preliminary valuation of Pacer suggested by various financial analyses that had been conducted by Morgan Stanley using the October Management Projections, as well as the execution risks Pacer was facing with respect to achieving its long-term strategic plan. In addition, Mr. Killea reviewed with Pacer's board of directors Morgan Stanley's prior relationships with the three bidders that had submitted written indications of interest, including XPO, based upon information that Morgan Stanley had provided to Pacer. Pacer's board of directors discussed the possibility that, should XPO emerge as the leading bidder after the second round of bidding, the board would consider engaging a second financial advisor to give an additional fairness opinion in light of Morgan Stanley's prior relationships with XPO (which relationships are described in greater detail in the section entitled, "Opinions of Pacer's Financial Advisors" Opinion of Morgan Stanley & Co. LLC).

On October 24, 2013, Pacer announced its third quarter 2013 earnings and Pacer common stock closed the day at \$6.98.

Between October 24, 2013 and November 25, 2013, there was an unexplained increase in Pacer's stock price, which closed the day at \$8.95 on November 25, 2013.

On November 7, 2013, Pacer and Morgan Stanley executed an engagement letter that specifically addressed the sale process and set forth the transaction fee that would be payable to Morgan Stanley upon consummation of a sale of Pacer.

On November 12, 2013, a draft of the merger agreement and the corresponding disclosure letter was posted in Pacer's electronic data room.

On November 14, 2013, Strategic Party A indicated that it would not be submitting a second round bid and was withdrawing from the process, citing concerns about its ability to achieve synergies at a price in the range of Pacer's recent trading price.

On November 19, 2013, Pacer announced its 2014 guidance, which was in line with consensus estimates of equity analysts covering Pacer. Pacer common stock closed at \$8.61 that day.

Also on November 19, 2013, representatives of Pacer's management team and Morgan Stanley met with members of XPO's management team in Dublin, Ohio for a due diligence meeting. Representatives of KPMG and Credit Suisse also attended.

On November 21, 2013, representatives of Pacer's management team and a representative of Morgan Stanley met with members of Strategic Party B's management team and certain of its advisors in Dublin, Ohio, for a second due diligence meeting. In the interim, additional due diligence discussions had regularly occurred between Pacer and Strategic Party B.

On November 22, 2013, Mr. Killea and a representative of Morgan Stanley met with members of XPO's management team, a consultant engaged by XPO and a representative of Wachtell, Lipton, Rosen & Katz, XPO's outside legal counsel, in Jacksonville, Florida, for a legal due diligence meeting. Representatives of Credit Suisse

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and Davis Polk & Wardwell LLP, outside legal counsel to Credit Suisse, participated in the meeting by telephone. In the interim, additional due diligence discussions regularly occurred between Pacer and XPO.

On November 25, 2013, a consultant engaged by XPO conducted interviews of members of Pacer's management, including Messrs. Avramovich and Hafferty, as part of its due diligence.

On November 25, 2013, Strategic Party B indicated that it was withdrawing from the process and would not be submitting a final bid because it was not in a position to make an offer that improved on its initial indication of price given, among other things, the current market interest for Pacer's common stock. On November 25, 2013, Pacer common stock closed at \$8.95.

Also on November 25, 2013, XPO submitted to Morgan Stanley, on behalf of Pacer, a definitive proposal to purchase all outstanding common shares of Pacer at a price of \$9.00 per share, payable in cash and shares of XPO common stock. Pursuant to XPO's proposal, the stock portion of the consideration would be fixed at the time the merger agreement was signed such that XPO would issue a number of shares of XPO common stock equal to 19.9% of its then-current outstanding stock, and the remaining value would be paid as cash and would float within a +/- 15% collar. The cash portion of the proposed merger consideration would have been \$5.52 based on the closing price of XPO's common stock as of November 25, 2013. The proposal also included, among other things, a condition that Pacer have \$40 million minimum cash at closing. XPO included with its proposal a mark-up of the draft merger agreement that had been provided in the electronic data room, as well as an executed commitment letter from Credit Suisse for \$325 million in debt financing, which would be partially used to fund the cash portion of the purchase price.

On November 27, 2013, a special meeting of Pacer's board of directors took place. Messrs. Hafferty, Killea and other members of Pacer's senior management team participated in the meeting at the request of Pacer's board of directors. Representatives of Morgan Stanley and W&S also participated in the meeting at the request of Pacer's board of directors. Representatives of W&S reviewed with Pacer's board of directors its fiduciary duties. Representatives of Morgan Stanley then reviewed with Pacer's board of directors XPO's proposal and compared it with the range of value for Pacer derived by various financial analyses that had been conducted by Morgan Stanley using the Adjusted October Management Projections. Representatives of Morgan Stanley also reviewed the sale process to date, including the decisions of Strategic Party A, Strategic Party B and the other potential buyers to withdraw from the process, as well as the reasons they had provided for doing so. Morgan Stanley then reviewed the recent trading history of Pacer common stock and explained that because Pacer's third quarter earnings and 2014 guidance were both consistent with analyst expectations, neither of these events, nor any other obvious factors such as short interest coverage in Pacer's stock, explained the 48% price increase in Pacer's stock price since October 3, 2013, when first round bids were due, or the 41% increase since the close on October 23, 2013, the day before Pacer's third quarter earnings release. Pacer's board of directors then discussed with Morgan Stanley the possibility that this otherwise unexplained run-up in Pacer's stock price may have been attributable to a leak regarding the sale process. Representatives of Morgan Stanley also reviewed with Pacer's board of directors an updated analysis of various potential strategic alternatives that might be available to Pacer other than a sale of the business, including a share buyback, regular or special dividend and a sale of the logistics business. Management also made a presentation to Pacer's board of directors regarding management's view of a sale of Pacer as compared with various other alternatives, including those reviewed with Morgan Stanley, as well as the recent increase in Pacer's stock price.

On December 2 and 3, 2013, a special in-person meeting of Pacer's board of directors took place in Dallas, Texas. Messrs. Hafferty, Killea and other members of Pacer's senior management team attended portions of the meeting at the request of Pacer's board of directors. Representatives of Morgan Stanley and W&S also attended portions of the meeting at the request of Pacer's board of directors. Representatives of Morgan Stanley reviewed with Pacer's board of

directors the range of value for Pacer derived by various financial analyses that had been conducted by Morgan Stanley based on, among other things, the Adjusted October Management Projections and two sensitivity cases prepared by Pacer's senior management and discussed historical and current market prices

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of Pacer's common stock, in each case as compared with the XPO proposal. Representatives of W&S reviewed certain aspects of the XPO proposal, including the financing risk associated with XPO's proposal, the \$40 million minimum cash condition requested by XPO and the deal protection provisions included in XPO's markup of the merger agreement. Pacer's board of directors discussed various aspects of XPO's proposal in relation to Pacer's stand-alone prospects and the execution risks associated with achieving the Adjusted October Management Projections and Pacer's long-term strategic plan, including management's current level of confidence that they could be achieved. Following these discussions, taking into account advice from Morgan Stanley and W&S, Pacer's board of directors instructed Morgan Stanley to convey to XPO that the Board had concerns surrounding the financial terms of the XPO proposal (including price, mix of consideration and certainty of value), the proposed deal protections, the associated financing risk and other issues relating to conditions to close, as well as the minimum cash condition. Specifically Pacer's board of directors instructed Morgan Stanley to seek to obtain an increase in price, a higher percentage of cash in the proposed mix of consideration, elimination of the "force the vote" provision requiring Pacer to submit the deal to a shareholder vote even if the Pacer board of directors changed its recommendation for the merger because of an alternative superior proposal (and a willingness to loosen other deal protections, including a reduction in the proposed termination fee), a termination right for Pacer if the price of XPO common stock fell below a certain level (a "walkaway right"), additional remedies if XPO should fail to close and the elimination, or a reduction in the amount and modification of the terms, of the minimum cash condition. The independent directors, meeting in executive session, then revisited the possible retention of a second financial advisor to render a fairness opinion in the event that Pacer's board of directors were to vote on a proposed XPO transaction. The independent directors reaffirmed that Morgan Stanley should continue to serve as financial advisor (in light of, among other things, its knowledge of and years of experience in advising Pacer, its expertise and experience in the logistics sector generally, and its knowledge of and experience with XPO in particular) and provide a fairness opinion with respect to any proposed XPO transaction, but that a second, independent financial advisor should be engaged at the appropriate time to render a second fairness opinion with respect to any such transaction.

On December 3, 2013, representatives of Morgan Stanley called representatives of XPO to relay Pacer's board of directors' positions as described above. A number of discussions between representatives of Morgan Stanley and representatives of XPO ensued, and on December 5, 2013, XPO presented revised terms to Morgan Stanley acting on behalf of Pacer. While unwilling to increase the price above \$9.00 per share, XPO indicated, with respect to mix of consideration and certainty of value, that it was prepared to proceed either under the originally proposed fixed-share concept, with a reduction in the number of shares of XPO common stock to be issued (subject to a collar), or with a fixed cash component of \$5.93 per share based on XPO's current trading price and a floating number of XPO shares (subject to a collar) making up the remaining portion of the \$9.00 per share offer. In the case of both the fixed share and fixed cash proposals, XPO proposed to widen the collar from 15% to 20%, subject to indexing XPO's stock price performance to a basket of comparable companies for purposes of determining the effect of the collar. XPO further agreed to eliminate the "force the vote" provision requiring Pacer to submit the deal to a shareholder vote even if the Pacer board of directors changed its recommendation for the merger because of an alternative superior proposal. In addition, XPO agreed to eliminate the minimum cash condition. With respect to certainty of closing, XPO proposed that it would be willing to pay Pacer a 4.0% reverse termination fee in the event that XPO failed to obtain financing, but such payment would be in lieu of Pacer's unconditional right to seek specific performance of XPO's obligations under the merger agreement and would also be in lieu of Pacer's ability to seek damages without any specified cap for any willful and material breach by XPO.

On December 6, 2013, a special telephonic meeting of Pacer's board of directors took place. Messrs. Hafferty, Killea and other members of Pacer's senior management team participated in the meeting at the request of Pacer's board of directors. Representatives of Morgan Stanley and W&S also participated in the meeting at the request of Pacer's board of directors. Representatives of Morgan Stanley provided an overview to Pacer's board of directors of XPO's revised proposal. Representatives of Morgan Stanley explained that XPO was not prepared to increase its price (given, among

other things, XPO's view that \$9.00 per share reflected a significant premium over Pacer's historical trading levels and that the recent trading price of Pacer common stock reflected takeover

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speculation), but was prepared to widen the collar to 20% (subject to the indexing described above). In addition, Morgan Stanley explained that XPO was not willing to provide for an asymmetrical collar for declines in XPO's stock price or provide Pacer with a walkaway right in the event that XPO's stock price declined below the 20% collar (unless XPO was given a symmetrical walkaway right that would permit XPO to terminate the merger agreement in the event that XPO's stock price rose above the 20% collar). Representatives of Morgan Stanley also described to Pacer's board of directors the remaining due diligence items requested by XPO, including management interviews and a review of key contracts and completion of the financial due diligence items previously discussed with KPMG. There was then a discussion with W&S of the proposed terms of the merger agreement, including deal protections and Pacer's remedies in the event that XPO was unable to obtain financing. Mr. Avramovich then reviewed for Pacer's board of directors the sale process to date and described challenges facing Pacer. After discussion, with input from its advisors, Pacer's board of directors instructed Morgan Stanley to go back to XPO and again seek an increase in price, as well as an improvement in the terms surrounding the mix of consideration. Pacer's board of directors also instructed W&S to continue to negotiate the open issues relating to deal certainty (including certainty of financing), deal protections and Pacer's remedies. Pacer's board of directors then discussed the fact that Pacer's stock price had declined following Strategic Party B's decision to exit the bidding process and instructed Morgan Stanley to contact Strategic Party B and determine whether it might now have an interest in submitting a proposal to acquire Pacer.

On December 6, 2013, representatives of Morgan Stanley contacted Strategic Party B to determine whether it would be interested in submitting a proposal to acquire Pacer in light of the changed circumstances since its decision to withdraw from the bidding process. In response, Strategic Party B indicated that its valuation of Pacer was closer to \$8.00 than \$9.00 and possibly no higher than its initial \$7.75 indication of interest and that it was not willing to reengage in the process.

Also on December 6, 2013, representatives of Morgan Stanley contacted representatives of XPO to seek an increase in price as requested by Pacer's board of directors. Representatives of XPO indicated that XPO would not be able to increase its price proposal of \$9.00 per share but was willing to consider changes to the mix of consideration.

On December 9, 2013, representatives of W&S had a preliminary telephone call with representatives of Wachtell Lipton to discuss Pacer's board of directors' concerns regarding XPO's markup of the draft merger agreement, including with respect to deal certainty, certainty of XPO's debt financing, deal protections and Pacer's remedies. Following the call, W&S provided Wachtell Lipton with an issues list for discussion purposes.

On December 10, 2013, representatives of W&S and Wachtell Lipton had a telephone conversation regarding the issues list that W&S had prepared.

On December 11, 2013, a special telephonic meeting of Pacer's board of directors took place. Messrs. Hafferty, Killea and other members of Pacer's senior management team participated in the meeting at the request of Pacer's board of directors. Representatives of Morgan Stanley and W&S also participated in the meeting at the request of Pacer's board of directors. Representatives of W&S reported on the recent discussions with Wachtell Lipton with respect to outstanding issues relating to the draft merger agreement. Representatives of Morgan Stanley then reported to Pacer's board of directors on their discussions with Strategic Party B and Strategic Party B's inability to reach a price that would be competitive with XPO's proposal or offer compelling value for Pacer shareholders and its unwillingness to re-enter the process. Following this discussion, Pacer's board of directors determined to continue discussions with XPO. Thereafter, Pacer's board of directors determined that, in light of the advanced stage of the discussions with XPO, this was the appropriate time, further to their prior discussions, to direct management to interview candidates and engage a second financial advisor with no current or prior relationships with XPO to provide a second fairness opinion in connection with a proposed transaction with XPO.



After interviewing three investment banks, Pacer engaged Houlihan Lokey to provide an additional opinion regarding the fairness of the merger consideration in connection with any proposed merger with XPO.

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On December 12, 2013, representatives of Morgan Stanley received an inbound call from a financial party with experience in Pacer's sector (which we refer to as Financial Sponsor B). Financial Sponsor B indicated that it had heard rumors that there was an ongoing strategic process with respect to Pacer and that it would be interested in taking a look. Financial Sponsor B had not been included among the original five financial sponsors contacted by Morgan Stanley for a variety of reasons, including, among other things, the view that the probable transaction size was likely too small to be of serious interest to Financial Sponsor B in light of Financial Sponsor B's fund size.

On December 13, 2013, a special telephonic meeting of Pacer's board of directors took place. Representatives of Morgan Stanley, Houlihan Lokey and W&S also participated in the meeting at the request of Pacer's board of directors. Representatives of Morgan Stanley described the inbound call that they had received from Financial Sponsor B and reviewed with Pacer's board of directors their view that, in light of (i) their knowledge of and experience with Financial Sponsor B, (ii) the advanced stage of the process and the negotiations with XPO, (iii) the risk of losing the XPO offer by engaging with Financial Sponsor B, (iv) the fact that Morgan Stanley's leveraged buyout analysis showed that a financial buyer like Financial Sponsor B would not likely be in a position to offer a price competitive with XPO's offer, (v) the amount of time that it would take Financial Sponsor B to be in a position to submit a firm offer (and the additional risk that such a delay would pose to the XPO proposal), and (vi) the fact that Pacer had approached several financial parties at the outset of the process and none of them had submitted an indication of interest, Pacer should not engage with Financial Sponsor B. Representatives of Houlihan Lokey then provided Pacer's board of directors with their perspective, generally, on this sort of inbound call received late in a strategic process and offered the view that, for many of the same reasons Morgan Stanley had identified, it was not uncommon for boards to decide not to engage with parties making such calls. Representatives of W&S informed Pacer's board of directors that it was not uncommon for boards of directors to choose not to pursue late inbound calls like the one from Financial Sponsor B based on the types of factors identified by Morgan Stanley. Representatives of W&S then reviewed with Pacer's board of directors its fiduciary duties. Following discussion, Pacer's board of directors determined, after taking into account, among other things, the views and advice of its financial and legal advisors, not to engage in discussions with Financial Sponsor B. Pacer's board of directors then continued to discuss the proposal from XPO relative to several factors, including, among other things, (i) Morgan Stanley's preliminary valuation analyses, (ii) the current premium to historical stock prices, (iii) interests of management, including future employment, and (iv) the execution risk associated with Pacer's long-term plan, including the opportunities for organic growth and growth through acquisition.

On December 13, 2013, W&S provided Wachtell Lipton with a markup of the merger agreement and financing commitment letter consistent with the issues list previously provided to Wachtell Lipton. The markup focused on, among other items, deal certainty, certainty of XPO's debt financing, deal protections and Pacer's remedies for breach. Also on December 13, 2013, W&S provided Wachtell Lipton with a due diligence request list for information relating to XPO due to the fact that Pacer shareholders would be receiving XPO common stock in the merger.

On December 14, 2013, representatives of Pacer, XPO, Morgan Stanley and Houlihan Lokey engaged in a session devoted to Pacer's business and financial due diligence of XPO.

During the week of December 17, 2013, a consultant for XPO conducted interviews of additional members of Pacer's management as part of XPO's due diligence.

On December 16, 2013, Wachtell Lipton sent W&S a revised draft of the merger agreement reflecting XPO's positions in response to Pacer's prior draft of the merger agreement.

On December 17, 2013, a special telephonic meeting of Pacer's board of directors took place at which Pacer's board of directors discussed, among other matters, the schedule for negotiations with XPO and timing for a potential

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On December 17, 2013, W&S sent Wachtell Lipton an issues list identifying Pacer's responses to issues raised by Wachtell Lipton's most recent draft merger agreement relating to deal certainty, certainty of XPO's debt financing, deal protections and Pacer's remedies for breach.

On December 18, 2013, representatives of W&S, Mr. Killea, representatives of Wachtell Lipton and Mr. Gordon Devens, the general counsel of XPO, met at Wachtell Lipton's offices for in-person negotiations regarding the merger agreement and terms of the financing commitment. Representatives of W&S emphasized that Pacer's board of directors was not amenable to XPO's proposed collar mechanism that indexed XPO's common stock price performance to a basket of comparable companies. In addition, XPO agreed to eliminate an explicit provision that would have prohibited Pacer, following the execution of the merger agreement, from waiving any standstill provisions in confidentiality agreements that were in place at the time the merger agreement was executed, including those entered into with other bidders, and a provision that would have permitted XPO to terminate the merger agreement (and required Pacer to pay a corresponding termination fee) in the event of a breach by Pacer of the no-shop provisions of the merger agreement. The parties also agreed to a \$12.4 million termination fee, which reflected a reduction from XPO's original proposal of approximately \$13.4 million, a \$5.0 million expense reimbursement payable by the breaching party if the non-breaching party terminates the merger agreement due to the other party's breach of representations, warranties or covenants, and a \$3.0 million expense reimbursement payable if either party terminates the merger agreement in the event that the Pacer shareholders do not approve the merger (a summary of the termination provisions of the merger agreement can be found in the section entitled "The Merger Agreement - Termination of the Merger Agreement"). There was also significant discussion surrounding the proposed marketing period, financing covenant and financing representation as well as the remedies available to the parties in the event the other party failed to perform under the agreement. Also at this meeting, Mr. Devens raised with Mr. Killea XPO's expectation that certain members of Pacer's management team would enter into amendments to their employment agreements in connection with the signing of the merger agreement, and Mr. Devens informed Mr. Killea that Wachtell Lipton would send a term sheet reflecting those proposed modifications in due course.

On December 19, 2013, W&S circulated a revised draft of the merger agreement and a revised draft of the disclosure letter reflecting the revisions to the merger agreement. In addition to the points previously agreed upon, the merger agreement included (i) a collar of 20% with no industry index mechanism and (ii) provisions permitting Pacer to pursue all available remedies, including damages without any specified cap, in the event of a willful and material breach of the merger agreement by XPO.

Later on December 19, 2013, Mr. Devens called Mr. Killea to identify the following issues that needed to be resolved before XPO would be willing to execute the merger agreement: (i) open issues concerning certain provisions in the interim operating covenants; (ii) open diligence items; (iii) amendments to employment agreements for certain members of Pacer's management team, which XPO wanted signed at the time the merger agreement was signed; and (iv) determination of the collar. In connection with the collar, Mr. Devens proposed a fixed cash amount of consideration with a floating stock component subject to an asymmetrical collar, with the floor fixed at \$20.00 and the ceiling fixed at \$35.00.

Later on December 19, 2013, Mr. Jacobs, John Hardig, the chief financial officer of XPO, and Mr. Devens had a call with Messrs. Avramovich, Hafferty and Killea. Representatives of Morgan Stanley, W&S and Wachtell Lipton also participated. On the call, Mr. Jacobs emphasized the importance to XPO of having Pacer's management team supporting the transaction and indicated that XPO would not be willing to sign the merger agreement without having executed employment agreement amendments with a specified list of Pacer's management team members, reflecting amended terms of employment, as well as equity rollover terms. In addition, the parties discussed the mix of merger consideration and Mr. Jacobs indicated that, based upon the current XPO stock price, XPO would agree to fixed cash consideration of \$6.00. With respect to the collar on the floating stock consideration, Mr. Jacobs offered to Pacer three

options: (i) a 20% collar that indexed XPO's common stock performance to a basket of comparable companies, which Pacer had previously rejected; (ii) a 17.5% collar without an index; or (iii) an asymmetrical collar with a floor of \$20.00 and a ceiling of \$35.00.

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Later on December 19, 2013, after discussions among Pacer's senior management in consultation with Morgan Stanley and W&S, Pacer advised XPO that it would accept a 17.5% collar without an index. Having reached agreement on the collar (and having previously reached agreement on price), Pacer invited XPO to send representatives to W&S's New York office to begin reviewing certain outstanding diligence items. That review continued through December 20, 2013.

Later on December 19, 2013, Wachtell Lipton circulated to W&S a revised draft of the merger agreement reflecting, among other things, the 17.5% collar and revisions to certain representations and interim operating covenants.

During the evening of December 19, 2013, XPO provided Pacer senior management a draft term sheet for the proposed amendments to existing employment agreements for certain members of the Pacer management team. XPO's proposal required the specified members of Pacer's management team to reinvest 60% of their after-tax proceeds on their equity awards that would be accelerated in the merger in XPO stock, which stock would be subject to a holding requirement (50% to be held for one year, 50% to be held for two years), fixed two-year employment terms with no severance if not thereafter renewed, three-year restrictive covenants subject to two one-year extensions at XPO's election, and the waiver of the specified Pacer member of management's existing enhanced severance benefits in connection with a change of control. XPO's proposal also provided for a grant of restricted stock units of XPO with a value equal to 50% of the enhanced severance benefits being waived, which would vest in five equal installments of 20% on each anniversary of the closing subject to continued employment with XPO on each vesting date, and thereafter subject to a five-year retention period and clawback in the event of a breach of the restrictive covenants. Shortly after receiving XPO's proposal, Pacer engaged Osler, Hoskin & Harcourt LLP on behalf of management, to negotiate the terms of the amended employment agreements.

On December 20, 2013, representatives of W&S and Wachtell Lipton, Mr. Killea and Mr. Devens met at W&S's New York offices and negotiated certain aspects of the merger agreement including certain representations and the interim operating covenant. W&S also circulated to Wachtell Lipton a revised draft of Pacer's disclosure letter.

Also on December 20, 2013, Pacer management, through Osler, provided XPO with a revised draft of the term sheet for the proposed employment agreement amendments and Wachtell Lipton responded with a further revised draft.

On December 21, 2013, W&S circulated to Wachtell Lipton a revised draft of the merger agreement reflecting, among other things, exchange ratio calculations based on the closing price of XPO's common stock on December 20, 2013, as well as changes based on the negotiations with respect to certain representations, the interim operating covenant and the financing cooperation covenant.

On December 21, 2013, Osler discussed Pacer management's revised draft of the terms sheet for the proposed employment agreement amendments with Wachtell Lipton.

On the evening of December 21, 2013, Wachtell Lipton circulated to W&S a revised draft of the disclosure letter and merger agreement that revised the marketing period and also included changes to certain representations and warranties. That evening, representatives of W&S and Wachtell Lipton engaged in further negotiations, and W&S and Pacer provided Wachtell Lipton with additional diligence items in response to issues raised by Wachtell Lipton's markup of the disclosure letter. Simultaneously, Osler and representatives of Pacer management continued to negotiate the terms of the amended employment agreements with XPO, and on the evening of December 21, 2013, Wachtell Lipton provided Pacer management with a further revised draft of the term sheet for the proposed employment agreement amendments.

Later on the evening of December 21, 2013, Mr. Avramovich called Mr. Jacobs to tell him that it would not be possible to finalize the merger agreement and employment agreement amendments prior to the targeted

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announcement of the merger on the morning of December 23, 2013. Mr. Avramovich and Mr. Jacobs agreed to work toward finalizing the merger agreement and, if appropriate, making a public announcement as soon as possible after the New Year's holiday in order to allow the parties additional time to complete their respective due diligence and the definitive documentation.

On December 22, 2013, a special telephonic meeting of Pacer's board of directors took place. Messrs. Hafferty, Killea and other members of Pacer's senior management team and representatives of Morgan Stanley and W&S also participated at the request of Pacer's board of directors. Mr. Avramovich provided Pacer's board of directors with an update on the status of negotiations and timing for signing definitive documentation and announcing a transaction. Mr. Killea then described to Pacer's board of directors the remaining open items, including (i) negotiations regarding the employment agreement amendments with certain members of Pacer's senior management team, (ii) open due diligence requests that had arisen in connection with finalizing the Pacer disclosure letter and (iii) finalizing the interim operating covenants and certain other provisions in the merger agreement. In addition, representatives of W&S reviewed with Pacer's board of directors the terms of the proposed merger agreement, including the agreed-upon total merger consideration, allocation between cash and stock consideration and collar. Representatives of W&S explained that through negotiation, XPO had moved from its original proposal of a 15% collar to a 17.5% collar and from its originally proposed \$13.4 million termination fee payable by Pacer down to a \$12.4 million termination fee. There was then a discussion, with input from Morgan Stanley based on information briefly mentioned to representatives of Morgan Stanley by representatives of XPO, around the possibility that XPO would finance the cash portion of the merger with an equity offering and the impact any such offering might have on XPO's stock price. The board determined to direct senior management and W&S to continue working to resolve the remaining open items and finalize definitive documentation, and tentatively scheduled a special meeting of Pacer's board of directors for January 3, 2014, by which time it was anticipated that Pacer's board of directors would be in a position take up approval of the merger agreement.

On December 27, 2013, W&S circulated to Wachtell Lipton a revised draft of the merger agreement and disclosure letter.

On December 30, 2013, the independent directors of Pacer's board of directors held a special telephonic meeting. Representatives of W&S participated at the request of Pacer's board of directors. Representatives of W&S addressed questions from the directors relating to the terms of the merger agreement, including, among other things, the mechanics of the collar and the deal protections, as well as Pacer's remedies in the event of a breach of the merger agreement by XPO. Representatives of W&S also addressed general questions relating to, among other things, the directors' fiduciary duties, the merger agreement (including, among other things, provisions relating to deal protections), the sale process, D&O insurance and questions surrounding the types of analysis to be provided by the financial advisors as it relates to evaluating XPO.

On the evening of December 30, 2013, representatives of W&S and Wachtell Lipton held telephonic negotiations on the open items relating to the merger agreement. During this discussion, representatives of Wachtell Lipton and W&S discussed the limitations relating to the marketing period, as well as the potential effective date of XPO's anticipated registration statement to be filed with the SEC and timing of closing. Later on December 30, 2013, Wachtell Lipton circulated to W&S a revised draft of the merger agreement reflecting XPO's proposed removal of the limitations relating to the marketing period.

On December 31, 2013, Wachtell Lipton circulated to W&S its comments to the Pacer disclosure letter.

On January 2, 2014, representatives of W&S and Wachtell Lipton, Messrs. Killea and Devens held further telephonic negotiations on the open items relating to the merger agreement during which negotiations the parties reached



agreement on most of the material open items relating to the merger agreement; however, the parties continued to finalize language in the merger agreement relating to the marketing period and the disclosure letter.

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On January 3, 2014, a special telephonic meeting of Pacer's board of directors took place. Representatives of Morgan Stanley, Houlihan Lokey and W&S, as well as Messrs. Hafferty, Killea and other members of Pacer's senior management team participated at the request of Pacer's board of directors. A representative of Bass, Berry & Sims PLC, Tennessee counsel to Pacer, also participated in this meeting at the request of Pacer's board of directors. Representatives of W&S and Bass Berry reviewed with Pacer's board of directors its fiduciary duties and responded to questions from the directors. Mr. Avramovich then provided Pacer's board of directors with an update on the status of negotiations with respect to the amended employment agreements for certain members of Pacer's management team. Representatives of Morgan Stanley then reviewed with Pacer's board of directors a presentation that reviewed the strategic process undertaken by Pacer to date, recent share price performance of Pacer common stock, implied valuation ranges for Pacer based on the various valuation methodologies Morgan Stanley had performed using (among other inputs) the Adjusted October Management Projections, and an overview and valuation of XPO. Representatives of Morgan Stanley then advised that Morgan Stanley expected to be able to issue a favorable opinion with respect to the fairness from a financial point of view of the proposed merger consideration. Representatives of Houlihan Lokey then made a presentation to Pacer's board of directors that included, among other things, information on Pacer and XPO stock performance and trading history and implied valuation ranges for Pacer and XPO based on various valuation methodologies that Houlihan Lokey had performed using (among other inputs) the Adjusted October Management Projections. Representatives of Houlihan Lokey then advised Pacer's board of directors that Houlihan Lokey expected to be able to issue a favorable opinion with respect to the fairness from a financial point of view of the proposed merger consideration. A representative of W&S also reviewed with Pacer's board of directors a summary of the terms of the current draft of the merger agreement. After discussion, Pacer's board of directors decided to adjourn pending finalization of definitive documentation and to reconvene on Sunday, January 5, 2014, to take up approval of the merger agreement and the other transactions contemplated thereby.

During the period from December 23, 2013, through January 3, 2014, Pacer's management team, through Osler, and XPO continued to negotiate the employment agreement amendments, which were finalized on the morning of January 4, 2014. A detailed description of the final employment agreement amendments appears in the section entitled, "Proposal 1: The Merger Interests of Pacer's Directors and Executive Officers in the Merger."

On January 4, 2014, Wachtell Lipton circulated a revised draft of the financing commitment letter reflecting a revised marketing period.

On January 4 and 5, 2014, representatives of W&S and Wachtell Lipton continued to negotiate and reached agreement on the remaining terms of the merger agreement and the Pacer disclosure letter and, at approximately 9:00 p.m. Eastern Time on January 5, 2014, a final version of the merger agreement was circulated by Wachtell Lipton to W&S.

On January 5, 2014, at 1:00 p.m., a special telephonic meeting of Pacer's board of directors took place. Representatives of Morgan Stanley, Houlihan Lokey and W&S and Messrs. Hafferty and Killea and other members of Pacer's senior management team participated at the request of Pacer's board of directors. Mr. Avramovich advised Pacer's board of directors that all of the employment agreement amendments required by XPO were ready to be executed. Representatives of W&S reminded Pacer's board of directors of its fiduciary duties. Representatives of Morgan Stanley then reviewed with Pacer's board of directors updates to its January 3, 2014 presentation (updated for the Pacer common stock and XPO common stock closing prices as of January 3, 2014). Also at this meeting, Morgan Stanley rendered its oral opinion to the Pacer board of directors (which was confirmed in writing by delivery of Morgan Stanley's written opinion dated January 5, 2014) to the effect that, as of that date and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations upon the scope of review undertaken by Morgan Stanley, as set forth in its opinion, the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. Representatives of Houlihan Lokey then reviewed with Pacer's board of directors updates to its January

3, 2014 presentation (updated for the Pacer

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common stock and XPO common stock prices as of January 3, 2014). Representatives of Houlihan Lokey then delivered to Pacer's board of directors Houlihan Lokey's oral opinion, (which was confirmed in writing by delivery of Houlihan Lokey's written opinion dated January 5, 2014), to the effect that, as of that date and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion, the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. Representatives of W&S then provided Pacer's board of directors with a summary of the final, agreed upon terms of the merger agreement. After discussion, and based upon, among other things, the opinions of Morgan Stanley and Houlihan Lokey, as well as the other factors enumerated in the section entitled, "Reasons for the Merger and Recommendation of Pacer's Board of Directors," Pacer's board of directors unanimously adopted and approved the merger agreement and the merger and the other transactions contemplated thereby.

Later on January 5, 2014, the merger agreement was executed by Pacer and XPO. Concurrently with the execution of the merger agreement, the employment agreement amendments were executed.

On January 6, 2014, before the opening of the U.S. financial markets, Pacer and XPO issued a joint press release announcing the execution of the merger agreement.

### **Reasons for the Merger and Recommendation of Pacer's Board of Directors**

In reaching its conclusion that the merger agreement is advisable, substantively and procedurally fair to, and in the best interests of Pacer and its shareholders, Pacer's board of directors consulted with the senior management of Pacer, as well as Pacer's legal and financial advisors, and considered the following material factors and benefits of the merger:

*Merger Consideration.* Pacer's board of directors considered a number of factors related to the merger consideration. In particular, Pacer's board of directors considered the following:

*Implied Value; Historical Trading Prices.* Pacer's board of directors concluded that the implied value of the merger consideration of \$9.00 per share (with the stock portion of the merger consideration valued based on the closing price of XPO common stock on January 3, 2014, the last trading day prior to the date of the merger agreement), represented an attractive value for Pacer. This implied value of the merger consideration:

represented a premium of approximately 47% to the average closing price of Pacer common stock of \$6.11 for the 52-week period ending January 3, 2014;

represented a premium of approximately 40% to the closing price of Pacer common stock of \$6.44 on October 23, 2013 (the last trading day prior to the announcement of third quarter 2013 earnings);

represented a premium of approximately 22% to the average closing price of Pacer common stock of \$7.36 for the 90-day period ending January 3, 2014;

represented a premium of approximately 42% to the closing price of Pacer common stock of \$6.32 on July 23, 2013, the day Pacer's board of directors determined to conduct a process to identify partners for Pacer; and

represented a premium of approximately 8% to the closing price of Pacer common stock of \$8.33 on January 3, 2014, the last trading day prior to Pacer's board of directors' approval of the merger.

*Protection of Implied Value Through Collar.* Pacer's board of directors considered the fact that the 17.5% collar provides a substantial measure of price protection to reduce the impact of any decline in the trading price of XPO common stock on the value of the merger consideration by

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floating the exchange ratio within a range of 0.1298 and 0.0911, which allows the value of the XPO shares to be received in the merger (based on XPO's reference stock price on the ten trading days prior to the effective time of the merger) to be fixed at \$3.00 as long as XPO's reference stock price for the ten trading days prior to the effective time of the merger is between \$23.12 and \$32.94.

*Significant Portion of Merger Consideration in Cash.* Pacer's board of directors considered that, so long as XPO's reference stock price remains in the range of the collar, two-thirds of the merger consideration would be in cash, giving Pacer shareholders an opportunity to realize certain value for a significant portion of their investment immediately upon the completion of the merger. Moreover, those Pacer shareholders who desire to do so will be permitted to sell any shares of XPO common stock received as merger consideration generally without restriction following the effective time of the merger, at the then-current market price of XPO common stock.

*Participation in Upside Through Stock Portion of Merger Consideration.* Pacer's board of directors considered that a portion of the merger consideration will be paid in shares of XPO common stock and, as a result, Pacer shareholders would have the opportunity to participate in any future earnings or growth of the combined company and future appreciation in the value of XPO common stock following the merger should they decide to retain the XPO common stock payable in the merger. In that connection, Pacer's board of directors considered information relating to XPO, XPO's strategic rationale for the merger and the prospects of the combined company following the merger. Pacer's board of directors also considered the scope of the due diligence investigation of XPO conducted by Pacer's senior management and outside legal and financial advisors and the results thereof and information available to it related to XPO.

*Process.* Pacer's board of directors considered a number of factors related to the process it undertook in determining to move forward with a sale of Pacer. In particular, Pacer's board of directors considered the following:

*Review of Strategic Alternatives.* Following a thorough review of strategic alternatives, including input and analysis from Pacer's senior management and financial advisors, the value offered to shareholders in the merger is, in the view of Pacer's board of directors, more favorable than the potential value that might have resulted from other strategic opportunities reasonably available to Pacer, including a share buyback, a sale of Pacer's logistics business, a special or regular dividend, growth through acquisitions, or continued efforts to execute on the company's long-term strategic plan as a stand-alone company.

*Sale Process.* Pacer's board of directors, with the assistance of senior management and its legal and financial advisors, conducted a thorough market check, including (i) identifying a universe of 28 potential buyers, consisting of 14 strategic parties and 14 financial sponsors, (ii) contacting nine strategic parties and five financial sponsors selected based on factors including previous industry investment expertise, perceived ability to recognize the value of Pacer's business, potential synergies and ability to pay, and likelihood of executing a transaction, (iii) executing confidentiality agreements with and providing Pacer's confidential information package to all 11 of the parties to which it initially reached out that expressed preliminary interest in exploring a potential transaction, only three of which

ultimately submitted written indications of interest and, following second-round due diligence, only one of which XPO submitted a definitive proposal, and (iv) going back to Strategic Party B after a subsequent decrease in Pacer's stock price in order to determine whether Strategic Party B was now interested in submitting a bid and being told that it was not).

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*Financial Condition and Stand-Alone Prospects of Pacer.* Pacer's board of directors considered Pacer's business, financial condition and results of operations, as well as Pacer's long-term strategic plan and its prospects as a stand-alone company. In particular, Pacer's board of directors considered the following:

*Market and Execution Risks:* Pacer's board of directors considered the risks associated with continuing as an independent company. In particular, Pacer's board of directors considered potential market and execution risks associated with Pacer's long-term strategic plan and the fact that Pacer's operating performance could be affected by, among other things, the risks and uncertainties described in the "Risk Factors" section of Pacer's Form 10-K for the fiscal year ended December 31, 2012, in each case as updated by any subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and incorporated by reference in this proxy statement/prospectus.

*Uncertainty of Forecasts.* Pacer's board of directors was aware of the inherent uncertainty of attaining management's internal projections, including those set forth in the section entitled "Pacer's Unaudited Prospective Financial Information," and that as a result, Pacer's actual financial results in future periods could differ materially from management's forecasted results, including those set forth in the Adjusted October Management Projections. As a result of such uncertainty, Pacer's board of directors requested that Pacer's senior management prepare, and Pacer's board of directors considered, two sensitivity cases to the Adjusted October Management Projections.

*Opinions of Financial Advisors.* Pacer's board of directors considered the opinions of its financial advisors. In particular, Pacer's board of directors considered the following:

*Opinion of Morgan Stanley.* Pacer's board of directors considered the financial analysis reviewed by representatives of Morgan Stanley with the Pacer board of directors and the oral opinion of Morgan Stanley rendered to the Pacer board of directors on January 5, 2014 (which was confirmed in writing by delivery of Morgan Stanley's written opinion dated January 5, 2014) to the effect that, as of that date and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations upon the scope of review undertaken by Morgan Stanley, as set forth in its opinion, the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders, as more fully described below in the section entitled "Opinions of Pacer's Financial Advisors—Opinion of Morgan Stanley & Co. LLC." The full text of the Morgan Stanley opinion is attached as **Annex B** to this proxy statement/prospectus.

*Opinion of Houlihan Lokey.* Pacer's board of directors considered the financial analysis reviewed by representatives of Houlihan Lokey with Pacer's board of directors, and the oral opinion of Houlihan Lokey rendered to Pacer's board of directors (which was confirmed in writing by delivery of Houlihan Lokey's written opinion dated January 5, 2014), to the effect that, as of that date and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion, the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders, as more fully described below in



the section entitled Opinions of Pacer's Financial Advisors Opinion of Houlihan Lokey Financial Advisors, Inc. The full text of the Houlihan Lokey opinion is attached as **Annex C** to this proxy statement/prospectus.

*Terms and Conditions of the Merger Agreement.* Pacer's board of directors reviewed and considered the terms and conditions of the merger agreement, including the parties' respective representations, warranties and covenants, the conditions to their respective obligations to complete the merger and their ability to terminate the merger agreement. In particular, Pacer's board of directors considered the following:

*Conditions to Completion of the Merger; Likelihood of Closing.* Pacer's board of directors considered the reasonable likelihood of the completion of the merger, including the absence of a

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financing condition or any condition requiring third party consents (other than related to antitrust and approval of Pacer's shareholders) and XPO's extensive prior experience in completing acquisitions of other companies. Pacer's board of directors also considered Pacer's unconditional right to seek specific performance under the merger agreement and its ability to seek damages without any express limit for willful and material breaches by XPO of the merger agreement.

*Absence of a Financing Condition.* Pacer's board of directors considered that XPO's obligations pursuant to the merger agreement are not subject to any financing condition or similar contingency based on XPO's ability to obtain financing, that if XPO were unable to obtain financing, Pacer's remedies against XPO would not be limited, that Pacer would be entitled to specifically enforce the merger agreement, including the obligation of XPO to consummate the merger, regardless of the availability or terms of XPO's financing, and that XPO made representations and warranties in the merger agreement regarding its ability to have funds available to it to complete the transactions contemplated by the merger agreement. Pacer's board of directors also considered the terms of the financing commitment from Credit Suisse obtained by XPO in connection with the execution of the merger agreement.

*Unsolicited Acquisition Proposals and the Ability to Change Recommendation.* Pacer's board of directors considered the provisions in the merger agreement that provide for the ability of Pacer's board of directors, subject to the terms and conditions of the merger agreement, to enter into negotiations with or provide information to a person that has made an unsolicited acquisition proposal, to terminate the merger agreement to accept certain unsolicited acquisition proposals that are deemed superior to the XPO merger and/or to withdraw or modify, in certain circumstances, Pacer's board of directors recommendation to Pacer shareholders that they adopt the merger agreement if, in each case, it would be reasonably likely to constitute a violation of the board's fiduciary duties to fail to do so.

*Termination Fee.* Pacer's board of directors considered that, in its view, upon consultation with its advisors, the \$12.4 million termination fee that could become payable pursuant to the merger agreement was comparable to termination fees in transactions of a similar size, was reasonable, and would not likely deter alternative acquisition proposals.

*Extensive Negotiations.* Pacer's board of directors considered that the merger agreement was the product of extensive arms-length negotiations, and members of Pacer's senior management, as well as its legal and financial advisors, were involved throughout the negotiations and updated Pacer's board of directors regularly with respect thereto. Pacer's board of directors also considered that the merger consideration represented the highest proposal that Pacer received for shares of Pacer common stock after a thorough process and the highest price per share to which Pacer's board of directors believed XPO was willing to agree to after such negotiations.

In addition, Pacer's board of directors considered a variety of risks and other potentially negative factors concerning the merger. These factors included the following:

*Lack of Direct Ongoing Participation in Pacer's Potential Upside.* Pacer's board of directors considered that Pacer shareholders would not have the opportunity to continue participating in Pacer's potentially significant upside as a stand-alone company, and would only participate in Pacer's upside indirectly as a part of the combined company if they retained the stock portion of the merger consideration following the effective time of the merger.

*No Walkaway Right; Possibility of Adverse Effects on XPO Business.* Pacer's board of directors considered that, because Pacer does not have the right to terminate the merger agreement if the value of XPO common stock falls below \$23.12 (which could cause a reduction in the implied value of the merger consideration payable to Pacer shareholders as a result of the collar around the exchange ratio), the implied value of the merger consideration would be adversely affected by a decrease in the trading price of XPO common stock during the pendency of the merger outside of the 17.5% collar. Pacer's

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board of directors determined that the absence of a walkaway right was appropriate under the circumstances given the size of the collar, which the Board considered to be reasonable to reduce the possibility that a decline in the trading price of XPO common stock would have an impact on the value of the merger consideration.

*Potential Risk of Failure to Complete the Merger.* Pacer's board of directors considered the possibility that the merger may not be completed and the potential adverse consequences to Pacer if the merger is not completed, including the potential impact on Pacer's stock price, the potential loss of customers and employees and the potential erosion of third-party confidence in Pacer. Pacer's board of directors considered that such risks were mitigated by certain terms in the merger agreement, including: the absence of significant required third-party approvals (other than antitrust approvals and approval of the Pacer shareholders); the absence of any financing condition to XPO's obligations to complete the merger; and Pacer's ability to specifically enforce the merger agreement.

*XPO Business Risks.* Pacer's board of directors considered that Pacer shareholders would be subject to the execution risks associated with the combined company's business operations if they retained the stock portion of the merger consideration following the effective time of the merger. These execution risks were different in part from the execution risks related to Pacer as a standalone business. In this regard, Pacer's board of directors considered that there were risks associated with successful implementation of the combined company's long-term business plan and strategy, the combined company realizing the anticipated benefits of the merger on the timeline expected or at all and the integration of Pacer's businesses with XPO's business operations in an efficient manner. Pacer's board of directors considered that the failure of any of these activities to be completed successfully may decrease the actual benefits of the merger and that, accordingly, Pacer shareholders who retain the shares of XPO common stock received as a portion of the merger consideration would not fully realize these benefits.

*Interim Operating Covenants.* Pacer's board of directors considered the limitations imposed by the merger agreement on the conduct of Pacer's business during the pendency of the merger and the fact that these covenants may limit Pacer's ability to pursue business opportunities that may arise or take other actions it would otherwise take with respect to the operations of Pacer during the pendency of the merger.

*Merger Consideration Taxable.* The merger is expected to be a taxable transaction for U.S. federal income tax purposes, and the receipt of XPO common stock and cash in exchange for Pacer common stock in the merger will therefore generally be taxable to Pacer shareholders for U.S. federal income tax purposes.

*Diversion of Management and Employees.* Pacer's board of directors considered the possible diversion of management and employee time and attention from Pacer's ongoing business due to the substantial time and effort necessary to complete the merger and plan for the integration of the operations of Pacer and XPO and the potential effect on Pacer's business and relations with customers, vendors and other stakeholders, whether or not the merger is completed.

*Interests of the Pacer's Board of Directors and Management.* Pacer's board of directors considered that the executive officers and directors of Pacer may have interests in the transactions contemplated by the merger agreement that are different from, or in addition to, those of Pacer's shareholders.

*Other Risks.* Pacer's board of directors considered the types and nature of the risks described under the section entitled Risk Factors.

The preceding discussion of the information and factors considered by Pacer's board of directors is not intended to be exhaustive but includes the material factors considered by Pacer's board of directors. In view of the complexity and wide variety of factors considered by Pacer's board of directors in connection with its evaluation of the merger, Pacer's board of directors did not consider it practical to, nor did it attempt to, quantify,

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rank or otherwise assign relative weights to the different factors that it considered in reaching its decision. In addition, in considering the factors described above, individual members of Pacer's board of directors may have given different weight to different factors.

This explanation of Pacer's reasons for the merger and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

***Pacer's board of directors has unanimously determined that the terms of the merger are advisable, substantively and procedurally fair to, and in the best interests of Pacer and its shareholders, has approved the terms of the merger agreement and the merger, and unanimously recommends that the shareholders of Pacer vote FOR the proposal to adopt the merger agreement.***

## **Opinions of Pacer's Financial Advisors**

### ***Opinion of Morgan Stanley & Co. LLC***

Morgan Stanley was retained by the Pacer board of directors to provide it with financial advisory services and a financial opinion in connection with a possible sale of Pacer. Pacer selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation and its knowledge of the business and affairs of Pacer. At the meeting of the Pacer board of directors on January 5, 2014, Morgan Stanley rendered its oral opinion to the Pacer board of directors (which was confirmed in writing by delivery of Morgan Stanley's written opinion dated January 5, 2014) to the effect that, as of that date and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations upon the scope of review undertaken by Morgan Stanley, as set forth in its opinion, the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

**The full text of Morgan Stanley's written opinion, dated January 5, 2014, is attached as Annex B to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the scope of the review undertaken by Morgan Stanley in rendering the opinion. This summary is qualified in its entirety by reference to the full text of such opinion. Morgan Stanley's opinion is directed to the Pacer board of directors and addresses only the fairness from a financial point of view of the merger consideration pursuant to the merger agreement to be received by the holders of shares of Pacer common stock as of the date of the opinion. Morgan Stanley's opinion does not address any other aspects of the merger, including the prices at which XPO common stock will trade following consummation of the merger or at any time, and does not constitute a recommendation to shareholders of Pacer as to how to vote at any shareholders' meeting related to the merger or to take any other action with respect to the merger.**

In arriving at its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of Pacer and XPO, respectively;

reviewed certain internal financial statements and other financial and operating data concerning Pacer;

reviewed certain financial projections for Pacer prepared by the management of Pacer (including the July Management Projections, the October Management Projections, the Adjusted October Management Projections, Sensitivity Case 1 and Sensitivity Case 2);

reviewed certain publicly available financial projections for XPO, which are referred to herein as the XPO Public Projections, published by an equity research analyst's initiating coverage of XPO and referred to Morgan Stanley by senior executives of XPO;

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discussed the past and current operations and financial condition and the prospects of Pacer with senior executives of Pacer;

discussed the past and current operations and financial condition and the prospects of XPO with senior executives of XPO;

reviewed the pro forma impact of the merger on XPO's earnings per share;

reviewed the reported prices and trading activity for Pacer common stock and XPO common stock;

compared the financial performance of Pacer and XPO and the prices and trading activity of Pacer common stock and XPO common stock with that of certain other publicly-traded companies comparable with Pacer and XPO, respectively, and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in certain discussions and negotiations among representatives of Pacer and XPO and their financial and legal advisors;

reviewed the merger agreement and certain related documents; and

performed such other analyses, reviewed such other information and considered such other factors as Morgan Stanley deemed appropriate.

Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by Pacer and XPO, which formed a substantial basis for its opinion. With respect to the Pacer management's financial projections, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Pacer of the future financial performance of Pacer. Morgan Stanley was not provided with, and did not have access to, financial projections relating to XPO prepared by the management of XPO. Accordingly, XPO advised Morgan Stanley, and Morgan Stanley assumed, with the consent of Pacer, that the XPO Public Projections are a reasonable basis upon which to evaluate the future financial performance of XPO and Morgan Stanley used the XPO Public Projections in performing its analyses. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley is not a legal, tax, or regulatory advisor. Morgan Stanley is a financial advisor only and relied upon, without independent verification, the assessment of Pacer and its legal, tax, or regulatory advisors with respect to legal, tax, or regulatory matters. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of Pacer's officers, directors or



employees, or any class of such persons, relative to the merger consideration to be received by the holders of shares of Pacer common stock in the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Pacer or XPO, nor was Morgan Stanley furnished with any such valuations or appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, the date of the opinion. Events occurring after the date of the opinion may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its opinion to the Pacer board of directors. The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of

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the financial analyses. The analyses described below must be considered as a whole; considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Stanley's opinion. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before January 3, 2014, which was the last trading day prior to the date on which the Pacer board of directors approved the merger, and is not necessarily indicative of current market conditions.

In performing its financial analyses summarized below and in arriving at its opinion, Morgan Stanley utilized and relied upon the Adjusted October Management Projections with respect to Pacer. In addition, for illustrative purposes only, Morgan Stanley also performed certain analyses utilizing consensus equity research estimates for Pacer, which are referred to below as the Street Case, and Pacer's Sensitivity Case 1 and Sensitivity Case 2 financial projections. For further information regarding these financial projections, see Pacer's Unaudited Prospective Financial Information.

***Pacer Analysis***

***Historical Trading Range Analysis***

Morgan Stanley reviewed the historical trading range of shares of Pacer common stock for the 52-week period ending January 3, 2014 and noted that, during such period, the maximum intraday trading price for shares of Pacer common stock was \$9.23 and the minimum closing/intraday trading price for shares of Pacer common stock was \$3.75. Morgan Stanley also noted that the closing price for shares of Pacer common stock on January 3, 2014 was \$8.33.

Morgan Stanley also noted that as of January 3, 2014, the \$9.00 notional value of the merger consideration represented:

a premium of approximately 8% over the closing price per share of Pacer common stock on January 3, 2014 of \$8.33;

a premium of approximately 42% over the closing price per share of Pacer common stock on July 23, 2013, which was the last trading day prior to the date on which Pacer's board of directors resolved to have Morgan Stanley conduct a targeted confidential process to identify potential strategic partners for Pacer, of \$6.32;

a premium of approximately 48% over the closing price per share of Pacer common stock on October 3, 2013, which was the date of the first round bid deadline, of \$6.10;

a premium of approximately 40% over the closing price per share of Pacer common stock on October 23, 2013, which was the date of the release of Pacer's third quarter earnings announcement, of \$6.44;

a premium of approximately 8% over the volume weighted average price per share ( VWAP ), during the 1-month trading period immediately preceding January 3, 2014, of approximately \$8.35;

a premium of approximately 13% over the VWAP during the 3-month trading period immediately preceding January 3, 2014, of approximately \$7.95; and

a premium of approximately 21% over the VWAP during the 6-month trading period immediately preceding January 3, 2014, of approximately \$7.47.

*Equity Research Price Target Analysis*

Morgan Stanley reviewed the price targets for shares of Pacer common stock prepared and published by equity research analysts. These targets reflect each analyst's estimate of the future public market-trading price of shares of Pacer common stock and were discounted to present value as of January 3, 2014 using a discount rate

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of 11.1%, which rate was selected based on Pacer's estimated cost of equity. The range of discounted analyst price targets for shares of Pacer common stock, rounded to the nearest \$0.25, was \$6.25 to \$9.00, with a median of \$7.75.

The public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for shares of Pacer common stock and these estimates are subject to uncertainties, including the future financial performance of Pacer and future financial market conditions.

*Comparable Company Trading Multiples*

Morgan Stanley performed a comparable company analysis, which attempts to provide an implied value of a company by comparing it to similar companies that are publicly traded. Morgan Stanley reviewed and compared, using publicly available information, certain current and historical financial information for Pacer, which is an intermodal logistics company, corresponding to current and historical financial information, ratios and public market multiples for the following two intermodal logistics companies:

*Intermodal Companies*

Hub Group, Inc.

JB Hunt Transport Services, Inc.

Morgan Stanley analyzed the following statistics for comparative purposes:

the ratio of the aggregate value (which is defined as fully-diluted market capitalization plus total debt, less cash and cash equivalents, plus, where applicable, liquidation preference of preferred stock and minority interest), to estimated earnings before interest, taxes, depreciation and amortization (EBITDA) for calendar year 2014; and

the ratio of stock price to estimated earnings per share, or EPS, for calendar year 2014.

This analysis indicated the following:

**Comparable Company Multiples**

	<b>High</b>	<b>Low</b>	<b>Median</b>
Aggregate Value to Estimated 2014 EBITDA			
Intermodal Companies	10.7x	10.5x	10.6x
Price to Estimated 2014 EPS			
Intermodal Companies	22.8x	18.8x	20.8x

In connection with its comparable company analysis, Morgan Stanley also reviewed and compared the historical trading multiples for the common stock for Pacer and the two other publicly-traded intermodal companies (JB Hunt Transport Services, Inc. and Hub Group, Inc.). Using publicly available consensus equity research estimates, Morgan

Stanley reviewed for each company the ratio of aggregate value to next twelve months ( NTM ) estimated EBITDA as of January 3, 2014 and the average ratio of aggregate value to NTM estimated EBITDA for the 1-year, 3-year and 5-year periods ending January 3, 2014. This analysis indicated the following:

	<b>January 3, 2014</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>
Pacer	8.3x	7.4x	6.5x	8.0x
JB Hunt Transport Services, Inc.	10.7x	10.3x	9.3x	9.1x
Hub Group, Inc.	10.5x	10.1x	10.2x	10.8x

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Using publicly available consensus equity research estimates, Morgan Stanley also reviewed for each company the ratio of stock price to NTM estimated EPS as of January 3, 2014 and the average ratio of stock price to NTM estimated EPS for the 1-year, 3-year and 5-year periods ending January 3, 2014. This analysis indicated the following:

	<b>January 3, 2014</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>
Pacer	20.8x	19.9x	17.1x	17.6x
JB Hunt Transport Services, Inc.	22.8x	22.9x	20.9x	21.2x
Hub Group, Inc.	18.8x	18.0x	18.2x	20.0x

To provide additional context for the global logistics industry, including XPO, Morgan Stanley also reviewed and compared, using publicly available information, certain current and historical financial information, ratios and public market multiples for the following asset-light freight forwarder companies, contract logistics companies, and integrator companies:

*Asset-Light/Freight Forwarder Companies*

C.H. Robinson Worldwide, Inc.

DSV A/S

Echo Global Logistics, Inc.

Expeditors International of Washington, Inc.

Forward Air Corporation

Hub Group, Inc.

Kuehne + Nagel International AG

Landstar System, Inc.

Panalpina World Transport Holding Ltd.\*

Roadrunner Transportation Systems, Inc.

Toll Holdings Limited

UTi Worldwide Inc.\*

XPO Logistics, Inc.  
*Contract Logistics Companies*

Agility Public Warehousing Company K.S.C.

Con-way Inc.

Norbert Dentressangle S.A.

Ryder System, Inc.

Wincanton Plc  
*Integrator Companies*

Deutsche Post AG

FedEx Corporation

United Parcel Service, Inc.

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\* Excluded from calculation of high, low and median multiples for Price to estimated 2014 EPS set forth below because such multiples were not meaningful.

For each of the companies in these three industry groups, Morgan Stanley also analyzed for comparative purposes the ratio of aggregate value to estimated 2014 EBITDA and stock price to estimated 2014 EPS. This analysis indicated the following:

**Comparable Company Multiples**

	<b>High</b>	<b>Low</b>	<b>Median</b>
<b>Aggregate Value to Estimated 2014 EBITDA</b>			
Asset-Light/Freight Forwarder Companies	15.2x	7.2x	10.9x
Contract Logistic Companies	5.5x	3.9x	5.1x
Integrator Companies	10.4x	6.6x	7.7x
All Global Logistics Industry Groups*	15.2x	3.9x	9.8x
<b>Price to Estimated 2014 EPS</b>			
Asset-Light/Freight Forwarder Companies	23.2x	13.6x	19.6x
Contract Logistic Companies	15.3x	8.8x	11.8x
Integrator Companies	18.8x	15.7x	17.3x
All Global Logistics Industry Groups*	23.2x	8.8x	18.8x

\* Includes high, low and median multiples for the companies in the intermodals industry group summarized above. Based on the analysis of the relevant metrics for the companies in the intermodals industry group, Morgan Stanley selected representative ranges of financial multiples of 6.5x to 8.5x for the aggregate value to estimated 2014 EBITDA and 16.0x to 21.0x for the price to estimated 2014 EPS. Morgan Stanley then applied these ranges of multiples to the relevant Pacer financial statistic in the Street Case, Adjusted October Management Projections, Sensitivity Case 1 and Sensitivity Case 2 financial projections. Based on the number of outstanding shares of Pacer common stock on a fully-diluted basis (calculated using the treasury stock method), Morgan Stanley calculated the estimated implied value per share of Pacer common stock, rounded to the nearest \$0.25, as follows:

Benchmark	Implied Per Share Value		
Aggregate Value to Estimated 2014 EBITDA			
Street Case	\$	6.75	8.50
Adjusted October Management Projections	\$	7.00	8.75
Sensitivity Cases 1 and 2	\$	5.75	7.25
Price to Estimated 2014 EPS			
Street Case	\$	6.50	8.50
Adjusted October Management Projections	\$	6.25	8.25
Sensitivity Cases 1 and 2	\$	4.50	5.75

No company utilized in the comparable company trading multiples analysis is identical to Pacer. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Pacer, such as the impact of competition on the businesses of Pacer and the industry generally, industry growth and



the absence of any adverse material change in the financial condition and prospects of Pacer or the industry or in the financial markets in general. Mathematical analysis (such as determining the mean or median) is not in itself a meaningful method of using comparable company data.

**Table of Contents***Precedent Transactions Analysis*

Morgan Stanley performed a precedent transactions analysis, which is designed to imply a value of a company based on publicly available financial terms and premia of selected transactions that share some characteristics with the merger. In connection with its analysis, Morgan Stanley compared publicly available statistics for select global logistics company transactions occurring between May 2001 and December 2013. The transactions reviewed and the month and year each transaction was announced were as follows:

**Selected Global Logistics Company Transactions**

<b>Date Announced</b>	<b>Target</b>	<b>Acquirer</b>
December 2013	Newgistics, Inc.	Littlejohn & Co., L.L.C.
September 2013	syncreon Holdings Limited	Centerbridge Partners, L.P.
July 2013	Marisol International LLC	Roadrunner Transportation Systems, Inc.*
July 2013	3PD, Inc.	XPO Logistics, Inc.
May 2013	Transplace	Greenbriar Equity Group LLC*
November 2012	Total Quality, Inc.	Forward Air Corporation
November 2012	GEFCO S.A.	JSC Russian Railways (RZD)*
October 2012	Star Track Express Pty Ltd	Australia Post Corporation*
September 2012	Phoenix International, Inc.	C.H. Robinson Worldwide, Inc.
July 2012	LINC Logistics Company	Universal Truckload Services, Inc.
June 2012	Panther Expedited Services, Inc.	Arkansas Best Corporation
May 2012	Caterpillar Logistics Services LLC	Platinum Equity, LLC
March 2012	World Courier Group, Inc.	AmerisourceBergen Corporation*
January 2012	UFC Aerospace Corp.	BE Aerospace, Inc.
June 2011	Korea Express Co., Ltd.	CJ Corporation
November 2010	TDG Plc	Norbert Dentressangle S.A.*
July 2010	ATC Technology Corporation	GENCO Distribution System, Inc.
October 2009	Livingston International Income Fund	Canada Pension Plan Investment Board and Sterling Partners
March 2009	De Post-La Poste	CVC Capital Partners SICAV-FIS S.A.
November 2008	Logwin AG	DELTON AG
July 2008	Compagnie Européen de Prestations Logistiques (CEPL)	Arcapita Bank*
June 2008	ABX Logistics Worldwide SA/NV Group	DSV A/S
April 2008	GEODIS SA	Société Nationale de Chemins de fer Francais
February 2008	TDG Plc	Laxey Partners Ltd
December 2007	BALtrans Holdings Limited	Toll Holdings Limited
October 2007	Christian Salvesen Plc	Norbert Dentressangle S.A.
May 2007	Jacobson Companies, Inc.	Oak Hill Capital Partners*
May 2007	EGL, Inc.	CEVA Logistics
December 2006	Greatwide Logistic Services	Investcorp*
November 2006	TNT Freight Management	GEODIS SA*
October 2006	Arnold Logistics, LLC	Oak Hill Capital Partners*
August 2006	TNT Logistics	Apollo Management L.P.*

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March 2006	SembCorp Logistics	Toll Holdings Limited
January 2006	Koninklijke Frans Maas Groep N.V.	DSV A/S
December 2005	Hoau Logistics Group	TNT N.V.*
October 2005	ACR Logistics	Kuehne + Nagel International AG*
June 2005	ABX Logistics Worldwide SA/NV Group	3i Group plc*
May 2001	USCO Logistics Inc.	Kuehne + Nagel International AG*

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\* Excluded from calculation of high, low, mean and median multiples set forth below because such multiples were not available for those transactions.

For each transaction listed above, Morgan Stanley noted the ratio of aggregate value of the transaction to the target company's last twelve months ( LTM ) EBITDA.

This analysis indicated the following:

**Precedent Transactions Multiples**

<b>Benchmark</b>	<b>High</b>	<b>Low</b>	<b>Mean</b>	<b>Median</b>
Aggregate Value/LTM EBITDA	22.4x	1.9x	9.6x	8.3x

Based on the analysis of the relevant metrics and time frame for each transaction listed above, Morgan Stanley selected a representative range of financial multiples of 8.0x to 12.0x and applied these ranges of multiples to Pacer's LTM EBITDA as of September 30, 2013.

Based on the number of outstanding shares of Pacer common stock on a fully-diluted basis (calculated using the treasury stock method), the range of implied values per share of Pacer common stock, rounded to the nearest \$0.25, was \$6.50 to \$9.25.

No company or transaction utilized in the precedent transactions analysis is identical to Pacer or the merger. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, market and financial conditions and other matters, which are beyond the control of Pacer, such as the impact of competition on the business of Pacer or the industry generally, industry growth and the absence of any adverse material change in the financial condition of Pacer or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value and equity value of the transactions to which they are being compared. Morgan Stanley considered a number of factors in analyzing the merger consideration. The fact that points in the range of implied present value per share of Pacer derived from the valuation of precedent transactions were less than or greater than the merger consideration is not necessarily dispositive in connection with Morgan Stanley's analysis of the merger consideration, but one of many factors Morgan Stanley considered.

*Premiums Paid Analysis*

Morgan Stanley applied an illustrative premium range of 20% to 40% to the closing price of shares of Pacer common stock on January 3, 2014 of \$8.33, the volume weighted average price per share of Pacer common stock for the 3-month period ending January 3, 2014, or 3-month VWAP, of \$7.95 and the closing price for shares of Pacer common stock on July 23, 2013, which was the last trading day prior to the date on which Pacer's board of directors resolved to have Morgan Stanley conduct a targeted confidential process to identify potential strategic partners for Pacer, of \$6.32. This analysis indicated a range of implied per share values for shares of Pacer common stock, rounded to the nearest \$0.25, as follows:

	<b>Implied Per Share Value</b>	
Closing Price on January 3, 2014	\$10.00	11.75
3-Month VWAP	\$9.50	11.25

Closing Price on July 23, 2013	\$7.50	8.75
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*Discounted Equity Value Analysis*

Morgan Stanley performed a discounted equity value analysis, which is designed to provide insight into the potential future equity value of a company as a function of the company's future earnings. The resulting future equity value is subsequently discounted to arrive at an estimate of the present value for the company's potential future equity value.

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Morgan Stanley calculated ranges of implied equity values per share of Pacer as of January 3, 2014. In arriving at the estimated equity values per share of Pacer, Morgan Stanley applied a range of financial multiples of 15.0x to 19.0x to Pacer's estimated EPS for calendar year 2015. Morgan Stanley then discounted that equity value from December 31, 2014 to January 3, 2014 using a discount rate of 11.1%. This analysis indicated a range of implied per share values for shares of Pacer common stock, rounded to the nearest \$0.25, as follows:

<b>Financial Projection Case</b>	<b>Implied Per Share Value</b>	
Street Case	\$6.25	8.00
Adjusted October Management Projections	\$7.75	9.75
Sensitivity Case 1 and Sensitivity Case 2	\$4.75	6.00

In addition, Morgan Stanley performed a discounted equity analysis using the same range of financial multiples of 15.0x to 19.0x applied to Pacer's estimated EPS for calendar year 2016. Morgan Stanley then discounted that equity value from December 31, 2015 to January 3, 2014 using the same discount rate of 11.1%. This analysis indicated a range of implied per share values for shares of Pacer common stock, rounded to the nearest \$0.25, as follows:

<b>Financial Projection Case</b>	<b>Implied Per Share Value</b>	
Adjusted October Management Projections	\$7.50	9.25
Sensitivity Case 1	\$2.75	3.50
Sensitivity Case 2	\$1.50	2.00

*Discounted Cash Flow Analysis*

Morgan Stanley performed a discounted cash flow analysis, which is designed to provide an implied value of a company by calculating the present value of the estimated future cash flows and terminal value of the company. Morgan Stanley calculated a range of implied equity values per share of Pacer common stock based on estimates of future cash flows for calendar years 2014 to 2016. Morgan Stanley first calculated the present value of unlevered free cash flows of Pacer for the period from 2014 to 2016 using the Adjusted October Management Projections. Morgan Stanley then calculated a terminal value for Pacer by applying a range of perpetual growth rates to the unlevered free cash flow after 2016 ranging from 2.5% to 3.5%. These values were then discounted to present value as of January 3, 2014 using a range of discount rates from 10.1% to 12.1% to calculate an aggregate value for Pacer. This analysis indicated a range of implied per share values for shares of Pacer common stock, rounded to the nearest \$0.25, of \$7.00 to \$9.25.

For illustrative purposes, Morgan Stanley also performed a discounted cash flow analysis to estimate the present value of the free cash flows of Pacer for the same period referred to above, using the same ranges of discount rates and perpetual growth rates referred to above, and Sensitivity Case 1 and Sensitivity Case 2. This analysis indicated a range of implied per share values for shares of Pacer common stock, rounded to the nearest \$0.25, of \$3.50 to \$4.25, based on the Sensitivity Case 1 financial projections, and \$2.75 to \$3.00, based on the Sensitivity Case 2 financial projections.

*XPO Analysis*

*Historical Trading Range Analysis*

Morgan Stanley reviewed the historical trading range of shares of XPO common stock for the 52-week period ending January 3, 2014 and noted that, during such period, the maximum intraday trading price for shares of XPO common stock was \$28.35 and the minimum intraday trading price for shares of XPO common stock was \$15.48. Morgan Stanley also noted that the closing price for shares of XPO common stock on January 3, 2014 was \$28.03.

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**Table of Contents***Equity Research Price Target Analysis*

Morgan Stanley reviewed the price targets for shares of XPO common stock prepared and published by equity research analysts. These targets reflect each analyst's estimate of the future public market-trading price of shares of XPO common stock and were discounted to present value as of January 3, 2014 using a discount rate of 11.1%, which rate was selected based on XPO's estimated cost of equity. The range of discounted analyst price targets for shares of XPO common stock, rounded to the nearest \$0.25, was \$22.50 to \$28.75, with a median of \$25.25.

The public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for shares of XPO common stock and these estimates are subject to uncertainties, including the future financial performance of XPO and future financial market conditions.

*Discounted Equity Value Analysis*

Morgan Stanley reviewed and compared the historical trading multiples for the common stock of the following four other publicly-traded asset-light/freight forwarder companies: C.H. Robinson Worldwide, Inc., Echo Global Logistics, Inc., Landstar System, Inc. and Roadrunner Transportation Systems, Inc. Using publicly available consensus equity research estimates, Morgan Stanley reviewed for each company the ratio of aggregate value to NTM estimated EBITDA as of January 3, 2014 and the average ratio of aggregate value to NTM estimated EBITDA for the 1-year, 3-year and 5-year periods ending January 3, 2014. This analysis indicated the following:

	<b>January 3, 2014</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>
C.H. Robinson Worldwide, Inc.	11.8x	11.7x	12.8x	13.5x
Echo Global Logistics, Inc.*	9.8x	9.4x	9.2x	9.7x
Landstar System, Inc.	11.3x	10.7x	10.5x	10.8x
Roadrunner Transportation Systems, Inc.**	9.4x	9.9x	9.2x	9.4x

\* 5-year average is from the date of the first publicly available equity research estimates in November 2009 following its initial public offering.

\*\* 5-year average is from the date of the first publicly available equity research estimates in June 2010 following its initial public offering.

Using publicly available consensus equity research estimates, Morgan Stanley also reviewed for each company the ratio of stock price to NTM estimated EPS as of January 3, 2014 and the average ratio of stock price to NTM estimated EPS for the 1-year, 3-year and 5-year periods ending January 3, 2014. This analysis indicated the following:

	<b>January 3, 2014</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>
C.H. Robinson Worldwide, Inc.	19.0x	19.7x	22.1x	23.3x
Echo Global Logistics, Inc.*	23.2x	22.8x	23.0x	24.2x
Landstar System, Inc.	20.2x	19.4x	18.9x	19.8x
Roadrunner Transportation Systems, Inc.**	16.2x	17.3x	15.8x	16.2x



- \* 5-year average is from the date of the first publicly available equity research estimates in November 2009 following its initial public offering.
- \*\* 5-year average is from the date of the first publicly available equity research estimates in June 2010 following its initial public offering.

Morgan Stanley performed a discounted equity value analysis to calculate ranges of implied equity values per share for XPO as of January 3, 2014. In arriving at the estimated equity values per share of XPO, Morgan

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Stanley applied a range of financial multiples of 18.0x to 22.0x to XPO's estimated EPS for calendar year 2016. Morgan Stanley then discounted that equity value from December 31, 2015 to January 3, 2014 using a discount rate of 11.1%. This analysis indicated a range of implied per share values for shares of XPO common stock, rounded to the nearest \$0.25, of \$30.25 to \$37.00.

In addition, Morgan Stanley performed a discounted equity analysis by applying a range of financial multiples of 8.5x to 10.5x to XPO's estimated EBITDA for calendar year 2017. Morgan Stanley then subtracted December 31, 2016 estimated net debt as presented in the XPO Public Projections and divided by the December 31, 2016 estimated share count as presented in the XPO Public Projections. Morgan Stanley then discounted that equity value from December 31, 2016 to January 3, 2014 using a discount rate of 11.1%. This analysis indicated a range of implied per share values for shares of XPO common stock, rounded to the nearest \$0.25, of \$24.25 to \$32.00.

*Discounted Cash Flow Analysis*

Morgan Stanley performed a discounted cash flow analysis to calculate a range of implied equity values per share of XPO common stock based on estimates of XPO's future cash flows for calendar years 2014 to 2016 using the XPO Public Projections. Morgan Stanley first calculated the present value of unlevered free cash flows of XPO. Morgan Stanley then calculated a terminal value for XPO by applying terminal multiples of 8.5x to 10.5x to XPO's estimated EBITDA for calendar year 2017. These values were then discounted to present value as of January 3, 2014 using a discount rate ranging from 10.1% to 12.1% to calculate an aggregate value for XPO. This analysis indicated a range of implied per share values for shares of XPO common stock, rounded to the nearest \$0.25, of \$25.50 to \$34.75.

*Illustrative Pro Forma Analysis*

Using the Street Case financial projections and the XPO Public Projections, Morgan Stanley reviewed the potential pro forma effect of the merger on XPO's estimated EPS for calendar years 2014 and 2015, assuming that XPO finances the acquisition of Pacer either through the issuance of debt, which is referred to below as the Debt Financing Case, or through the issuance of shares of XPO common stock, which is referred to below as the Equity Financing Case. For purposes of this analysis, the Debt Financing Case assumed that XPO would issue debt in the amount of approximately \$202 million having an interest rate of LIBOR + 4.25%, with a LIBOR floor of 1.00% as reflected in XPO's financing commitment letter, and the Equity Financing Case assumed that XPO would issue shares of XPO common stock at an illustrative price of \$28.03, which was the closing price per share of XPO common stock on January 3, 2014, for aggregate consideration of approximately \$221 million (which was the amount of equity issued in XPO's August 2013 equity offering to finance the acquisition of 3PD, Inc.). Based on an illustrative transaction closing date of January 3, 2014 and assumed transaction expenses for XPO's acquisition of Pacer in the amount of approximately \$14.5 million, this analysis indicated that the merger could be accretive to XPO's estimated EPS for calendar years 2014 and 2015 as follows:

	<b>Calendar Year 2014</b>		<b>Calendar Year 2015</b>	
	<b>Debt Financing Case</b>	<b>Equity Financing Case</b>	<b>Debt Financing Case</b>	<b>Equity Financing Case</b>
Accretion/(Dilution) to XPO Estimated EPS (\$)	\$ 0.15	\$ 0.32	\$ 0.06	\$ 0.06
Accretion/(Dilution) to XPO Estimated EPS (%)	N/M*	N/M*	7.0%	7.1%

\* Not meaningful because XPO's stand-alone estimated 2014 EPS reflects a loss.

*General*

In connection with the review of the merger by the Pacer board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial

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opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley's view of the actual value of Pacer or XPO. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business, regulatory, economic, market and financial conditions and other matters. Many of these assumptions are beyond the control of Pacer and XPO. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness, from a financial point of view, of the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement to such holders and in connection with the delivery of its opinion to the Pacer board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of Pacer common stock or XPO common stock might actually trade.

The merger consideration was determined through arm's length negotiations between the board of directors of Pacer and XPO and was approved by the Pacer board of directors. Morgan Stanley provided advice to the Pacer board of directors during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to the Pacer board of directors or that any specific merger consideration constituted the only appropriate merger consideration for the merger. In addition, Morgan Stanley's opinion does not address the prices at which XPO common stock will trade following consummation of the merger or at any time and Morgan Stanley expressed no opinion or recommendation as to how the shareholders of Pacer should vote at the shareholders' meeting to be held in connection with the merger.

Morgan Stanley's opinion and its presentation to the Pacer board of directors was one of many factors taken into consideration by the Pacer board of directors in deciding to approve, adopt and authorize the merger agreement. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the Pacer board of directors with respect to the merger consideration or of whether the Pacer board of directors would have been willing to agree to different consideration.

Morgan Stanley's opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice.

Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management businesses. Its securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans of XPO, Pacer, or any other company, or any currency or commodity, that may be involved in the merger, or any related derivative instrument.

Under the terms of its engagement letter, Morgan Stanley provided the Pacer board of directors financial advisory services and a financial opinion in connection with the merger, and will receive a fee in the estimated amount of

approximately \$6.3 million for its services, which is contingent upon the closing of the merger. Morgan Stanley will also be reimbursed for its expenses, including reasonable fees of outside counsel and other professional advisors, incurred in connection with its engagement. In addition, Pacer has agreed to indemnify

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Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, relating to or arising out of Morgan Stanley's engagement.

In the two years prior to the date of its opinion, Morgan Stanley has provided financial advisory services to Pacer unrelated to the merger and has received aggregate fees of approximately \$200,000 for such services. In the two years prior to the date of its opinion, Morgan Stanley and its affiliates have provided financing services to XPO and have received aggregate fees of approximately \$8.9 million for such financing services, including (a) having acted as joint book-running manager in relation to the \$144.8 million follow-on equity offering in March 2012, (b) having acted as joint book-running manager in relation to the \$143.75 million convertible note offering in September 2012, (c) having acted as joint lead arranger with respect to the \$140 million first lien term loan facility and the \$55 million second lien term loan facility in July 2013, (d) having acted as joint book-running manager in relation to the \$253.6 million follow-on equity offering in August 2013, (e) having acted and acting as agent, joint lead arranger and joint bookrunner in relation to the \$125 million revolving loan credit agreement in October 2013 and (f) having assisted XPO Logistics on its October 2013 negotiated conversions of a holder's XPO 4.50% Convertible Senior Notes due 2017 for XPO common stock. Morgan Stanley may also seek to provide financial advisory and financing services to Pacer and XPO in the future and would expect to receive fees for the rendering of these services. In this regard, on January 22, 2014, XPO notified an affiliate of Morgan Stanley, as agent bank under the revolving loan credit agreement referred to in clause (e) above, that XPO is requesting an increase in the size of the revolving credit facility, and further requested that the affiliate of Morgan Stanley increase its commitment in such amended facility. On January 28, 2014, the affiliate of Morgan Stanley agreed, with Pacer's consent, to increase the size of its commitment in XPO's revolving credit facility from \$42.5 million to \$75 million, for which the affiliate of Morgan Stanley will receive an incremental one-time fee from XPO of approximately \$81,000.

***Opinion of Houlihan Lokey Financial Advisors, Inc.***

At the meeting of Pacer's board of directors on January 5, 2014, Houlihan Lokey rendered an oral opinion to the Pacer board of directors (which was confirmed in writing by delivery of Houlihan Lokey's written opinion dated January 5, 2014), to the effect that, as of that date and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion, the merger consideration to be received by the holders of shares of Pacer common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

**The summary of Houlihan Lokey's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of Houlihan Lokey's written opinion, dated January 5, 2014, which is attached as Annex C to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion. Houlihan Lokey's opinion was directed to the Pacer board of directors and only addressed the fairness from a financial point of view of the merger consideration to be received by the holders of Pacer common stock in the merger and does not address any other aspect or implication of the merger. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus are intended to be, and do not constitute, advice or a recommendation to Pacer's board of directors or any stockholder as to how to act or vote with respect to the merger or related matters.**

In arriving at its opinion, Houlihan Lokey, among other things:

reviewed the merger agreement and related disclosure letters;

reviewed certain publicly available business and financial information relating to Pacer and XPO that Houlihan Lokey deemed to be relevant, including certain publicly available research analyst estimates

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with respect to the future financial performance of Pacer and XPO, including projections contained in certain publicly available research analyst reports and discussed with the managements of Pacer and XPO relating to XPO for the years ending 2014 through 2017 (which we refer to in this section as the XPO Analysts Projections );

reviewed certain information relating to the historical, current and future operations, financial condition and prospects of Pacer made available to Houlihan Lokey by Pacer, including the Adjusted October Management Projections;

spoke with certain members of (i) the management of Pacer and certain of its representatives and advisors regarding the respective businesses, operations, financial condition and prospects of Pacer and XPO, the merger and related matters, including the process relating to the solicitation of indications of interest from third parties with respect to the merger, together with the discussions and negotiations related thereto and (ii) the management of XPO regarding the business, operations, financial condition and prospects of XPO;

compared the financial and operating performance of Pacer and XPO with that of other public companies that Houlihan Lokey deemed to be relevant;

considered the publicly available financial terms of certain transactions that Houlihan Lokey deemed to be relevant;

reviewed the current and historical market prices and trading volume for Pacer common stock and XPO common stock, and the current and historical market prices and trading volume of the publicly traded securities of certain other companies that Houlihan Lokey deemed to be relevant; and

conducted such other financial studies, analyses and inquiries and considered such other information and factors as Houlihan Lokey deemed appropriate.

Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information furnished, or otherwise made available, to Houlihan Lokey (including information relating to XPO containing or reflecting information relating to Kelron Corporate Services Inc., Turbo Logistics, Inc. and/or Turbo Dedicated, Inc.), discussed with or reviewed by Houlihan Lokey, or publicly available, and did not assume any responsibility with respect to such data, material and other information. In addition, management of Pacer advised Houlihan Lokey, and Houlihan Lokey assumed, that the financial projections reviewed by Houlihan Lokey were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of such management as to the future financial results and condition of Pacer, and Houlihan Lokey expressed no opinion with respect to such projections or the assumptions on which they are based. With respect to the XPO Analysts Projections, Houlihan Lokey reviewed and discussed such estimates with the managements of Pacer and XPO, and management of XPO advised Houlihan Lokey, and Houlihan Lokey assumed with the consent of Pacer's board of directors, that such estimates represented reasonable estimates and judgments of the future financial results and condition of XPO, and Houlihan Lokey expressed no opinion with respect to such estimates or the assumptions on which they are based. Houlihan Lokey relied upon and assumed, without independent verification, that there was no change in the business, assets, liabilities, financial condition, results of operations, cash flows or



prospects of Pacer or XPO since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Houlihan Lokey that would be material to its analyses or its opinion, and that there was no information or any facts that would make any of the information reviewed by Houlihan Lokey incomplete or misleading.

Houlihan Lokey relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the merger agreement and all other related documents and instruments that are referred to therein were true and correct, (b) each party to the merger agreement and such other related documents and instruments would fully and timely perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the merger will be satisfied without waiver thereof, and (d) the merger would be consummated in a timely manner in accordance with the terms described in all such

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agreements and other such other related documents and instruments, without any amendments or modifications thereto. Houlihan Lokey relied upon and assumed, without independent verification, that (i) the merger would be consummated in a manner that complies in all respects with all applicable federal and state statutes, rules and regulations, (ii) all governmental, regulatory, and other consents and approvals necessary for the consummation of the merger would be obtained and that no delay, limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would result in the disposition of any assets of Pacer or XPO, or otherwise have an effect on the merger, Pacer or XPO or any expected benefits of the merger that would be material to Houlihan Lokey's analyses or its opinion, and (iii) the revolving credit facility of XPO would be refinanced or otherwise retired upon consummation of the merger, with the proceeds from funding from the Financing Commitment (as defined in the merger agreement) or otherwise.

Furthermore, in connection with its opinion, Houlihan Lokey was not requested to make, and did not make, any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of Pacer, XPO or any other party, nor was Houlihan Lokey provided with any such appraisal or evaluation. Houlihan Lokey did not estimate, and did not express any opinion regarding, the liquidation value of any entity or business. Houlihan Lokey did not undertake any independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Pacer or XPO is or may be a party or are or may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which Pacer or XPO is or may be a party or is or may be subject.

Houlihan Lokey was not requested to, and did not, (a) initiate or participate in any discussions or negotiations with, or solicit any indications of interest from, third parties with respect to the merger, the securities, assets, businesses or operations of Pacer or any other party, or any alternatives to the merger, (b) negotiate the terms of the merger, or (c) advise Pacer's board of directors or any other party with respect to alternatives to the merger. Houlihan Lokey's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Houlihan Lokey as of, the date thereof. Houlihan Lokey did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring or coming to its attention after the date of the opinion. Houlihan Lokey did not express any opinion as to what the value of XPO common stock actually would be when issued pursuant to the merger or the price or range of prices at which Pacer common stock or XPO common stock may be purchased or sold, or otherwise be transferable, at any time. Houlihan Lokey assumed that the XPO common stock to be issued in the merger to the holders of Pacer common stock would be listed on the NYSE.

Houlihan Lokey's opinion was furnished for the use and benefit of Pacer's board of directors (in its capacity as such) in connection with its evaluation of the merger and may not be used for any other purpose without the prior written consent of Houlihan Lokey. Houlihan Lokey's opinion should not be construed as creating any fiduciary duty on Houlihan Lokey's part to any party. Houlihan Lokey's opinion was not intended to be, and does not constitute, a recommendation to Pacer's board of directors, any security holder or any other party as to how to act or vote with respect to any matter relating the merger or otherwise.

Houlihan Lokey was not requested to opine as to, and did not express an opinion as to or otherwise address, among other things: (i) the underlying business decision of Pacer, XPO, their respective security holders or any other party to proceed with or effect the merger, (ii) the terms of any arrangements, understandings, agreements or documents related to, or the form, structure or any other portion or aspect of, the merger or otherwise (other than the merger consideration to the extent expressly specified therein), (iii) the fairness of any portion or aspect of the merger to the holders of any class of securities, creditors or other constituencies of Pacer, XPO, or to any other party, except if and only to the extent expressly set forth in its opinion, (iv) the relative merits of the merger as compared to any

alternative business strategies or transactions that might be available for Pacer, XPO or any other party, (v) the fairness of any portion or aspect of the merger to any one class or group of Pacer's, XPO's or any other party's security holders or other constituents vis-à-vis any other class or group of Pacer's, XPO's or such other party's security holders or other constituents (including, without limitation, the allocation of any

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consideration amongst or within such classes or groups of security holders or other constituents), (vi) whether or not Pacer, XPO, their respective security holders or any other party is receiving or paying reasonably equivalent value in the merger, (vii) the solvency, creditworthiness or fair value of Pacer, XPO or any other participant in the merger, or any of their respective assets, under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, or (viii) the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation to or consideration payable to or received by any officers, directors or employees of any party to the merger, any class of such persons or any other party, relative to the merger consideration or otherwise. Furthermore, no opinion, counsel or interpretation was intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. Houlihan Lokey assumed that such opinions, counsel or interpretations were or will be obtained from the appropriate professional sources. Furthermore, Houlihan Lokey relied, with the consent of Pacer's board of directors, on the assessments by Pacer and its advisors, as to all legal, regulatory, accounting, insurance and tax matters with respect to Pacer, XPO and the merger or otherwise. The issuance of Houlihan Lokey's opinion was approved by a committee authorized to approve opinions of such nature.

In preparing its opinion to Pacer's board of directors, Houlihan Lokey performed a variety of analyses, including those described below. The summary of Houlihan Lokey's analyses is not a complete description of the analyses underlying Houlihan Lokey's opinion. The preparation of a fairness opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither a fairness opinion nor its underlying analyses is readily susceptible to summary description. Houlihan Lokey arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. Accordingly, Houlihan Lokey believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors or focusing on information presented in tabular format, without considering all analyses, methodologies and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Houlihan Lokey's analyses and opinion. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques.

In performing its analyses, Houlihan Lokey considered general business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of the opinion. Houlihan Lokey's analyses involved judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond the control of Pacer and XPO, such as the impact of competition on the business of Pacer and XPO and on the industry generally, industry growth and the absence of any material change in the financial condition and prospects of Pacer and XPO or the industry or in the markets generally. No company, transaction or business used in Houlihan Lokey's analyses for comparative purposes is identical to Pacer, XPO or the proposed merger and an evaluation of the results of those analyses is not entirely mathematical. Houlihan Lokey believes that mathematical derivations (such as determining average and median) of financial data are not by themselves meaningful and should be considered together with qualities, judgments and informed assumptions. The estimates contained in Pacer's and XPO's analyses and the implied reference range values indicated by Houlihan Lokey's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond the control of Pacer and XPO. Much of the information used in, and accordingly the results of, Houlihan Lokey's analyses are inherently subject to substantial uncertainty.

Houlihan Lokey's opinion was provided to Pacer's board of directors in connection with its evaluation of the proposed merger and was only one of many factors considered by Pacer's board of directors in evaluating the

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proposed merger. Neither Houlihan Lokey's opinion nor its analyses were determinative of the merger consideration or of the views of Pacer's board of directors or management with respect to the merger or the merger consideration. The type and amount of consideration payable in the merger were determined through negotiation between Pacer and XPO, and the decision to enter into the merger was solely that of Pacer's board of directors.

The following is a summary of the material analyses reviewed by Houlihan Lokey with Pacer's board of directors in connection with Houlihan Lokey's opinion rendered on January 5, 2014. The order of the analyses does not represent relative importance or weight given to those analyses by Houlihan Lokey. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of Houlihan Lokey's analyses.

For purposes of its analyses, Houlihan Lokey reviewed a number of financial metrics, including:

Enterprise Value calculated as the value of the relevant company's outstanding equity securities (taking into account its outstanding warrants and other convertible securities) based on the relevant company's closing stock price, or equity value, plus net debt (calculated as outstanding indebtedness, preferred stock and capital lease obligations less the amount of cash on its balance sheet), as of a specified date.

Earnings before interest, taxes, depreciation, and amortization (EBITDA).

Earnings before interest, taxes, depreciation, and amortization, adjusted, where applicable, for certain non-recurring and non-cash items (Adjusted EBITDA).

Unless the context indicates otherwise, (i) per share amounts for Pacer common stock were calculated on a fully diluted basis based on shares, options and warrants outstanding as of October 25, 2013, as provided by management of Pacer, and (ii) Enterprise Values for Pacer were based on an estimated net debt of \$(39.7) million as of September 30, 2013.

Unless the context indicates otherwise, the analyses performed below were calculated using the closing prices of Pacer common stock, XPO common stock and those of selected asset-light transportation and logistics companies as of January 3, 2014, and transaction values for the target companies derived from the selected transactions analysis described below were calculated as of the announcement date of the relevant transaction based on the estimated purchase prices announced on such date for the selected transactions. Accordingly, this information may not reflect current or future market conditions. The calculations of Adjusted EBITDA for the last twelve months for which financial information has been made public (LTM) for Pacer and the selected asset-light transportation and logistics companies were based on publicly available information for Pacer and those asset-light transportation and logistics companies. Estimates for each of (i) Adjusted EBITDA for the next fiscal year (NFY) for which financial information has not been made public, and (ii) Adjusted EBITDA for the next fiscal year following NFY (NFY + 1), for Pacer were based on estimates provided by Pacer's management with respect to EBITDA from the Adjusted October Management Projections; there were no further adjustments to such EBITDA. In the case of Pacer, LTM refers to the twelve month period ended September 30, 2013, NFY refers to the calendar year 2013 and NFY + 1 refers to the calendar year 2014. Estimates for each of NFY Adjusted EBITDA and NFY + 1 Adjusted EBITDA for the selected asset-light transportation and logistics companies listed below were based on certain publicly available research

analyst estimates for those asset-light transportation and logistics companies. For purposes of certain analyses described below, the term **merger consideration** refers to the implied per share value of the merger consideration of \$9.00 consisting of cash consideration of \$6.00 per share and stock consideration of \$3.00 per share, based on an assumed merger exchange ratio equal to the quotient of \$3.00 and the closing price of XPO common stock as of January 3, 2014 of \$28.03, (which assumes the merger consideration is within the collar).

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**Pacer Financial Analyses**

*Historical Trading Analysis.* Houlihan Lokey reviewed certain historical stock price information for Pacer common stock. This review indicated that for the one-year period ended January 3, 2014, Pacer common stock had traded in a range between \$3.75 and \$9.23 per share, as compared to the implied merger consideration value of \$9.00 per share.

Houlihan Lokey also reviewed certain historical VWAP for Pacer common stock. This review indicated that for the certain periods ended January 3, 2014 set forth below, the VWAPs for Pacer common stock were as follows: