

EXPRESS-1 EXPEDITED SOLUTIONS INC  
Form DEFA14A  
August 15, 2011

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)**

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
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- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**EXPRESS-1 EXPEDITED SOLUTIONS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
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### **Express-1 Expedited Solutions Reports Second Quarter 2011 Results**

**SAINT JOSEPH, Mich. August 15, 2011** Express-1 Expedited Solutions, Inc. (NYSE Amex: XPO) ( Express-1 or the Company ) today announced its financial results for the second quarter of 2011. Total revenue from continuing operations for the second quarter was \$44.1 million, a 9.3% increase from the same period in 2010.

Net income from continuing operations for the second quarter was \$914,000, or \$.03 diluted earnings per share, compared with \$1,504,000, or \$.05 diluted earnings per share, for the same period in 2010. Gross margin of \$7,180,000 declined 1.6 percentage points year-over-year to 16.3% for the quarter, reflecting a choppy environment for the Company s Express-1 business unit, partially offset by gains in other operating segments.

Mike Welch, chief executive officer, said, While our revenue growth in the quarter was solid, we experienced margin pressure within our Express-1 unit, including a greater reliance on high-volume, lower-rate customers, and the strategic expansion of our cross-border business. In addition, we drove 43% revenue growth in Bounce Logistics, a business model that generates a lower margin. Non-operational impacts on results included expenses related to the proposed equity investment led by Jacobs Private Equity, and a modification to the revenue recognition policy for our CGL unit that reduced both our top line and our profitability.

Domestic demand began to strengthen late in the quarter, as reflected in our June gross margin of 16.9%. In addition, we are continuing to see significant growth in our business with Mexico, where Express-1 s expertise in border logistics is a competitive advantage. We anticipate that our overall operating environment will continue to become more favorable through the balance of the year as Japan s export production recovers from the tsunami and seasonal retail activity develops.

Welch continued, Our board has recommended the proposed investment in Express-1 led by Jacobs Private Equity. This is a tremendous opportunity for the company to carve out a major position under the new banner of XPO Logistics in three areas where we already excel: expedited transportation solutions, domestic and international freight forwarding, and premium truckload brokerage. We look forward to the stockholder vote on September 1.

#### **Conference Call**

In light of the pending equity investment, the Company s next earnings conference call will be held after the reporting of third quarter 2011 results.

#### **About Express-1 Expedited Solutions, Inc.**

Founded in 1989, Express-1 is a non-asset-based, third-party logistics services provider that uses a network of relationships with ground, sea and air carriers to find the best transportation solutions for its customers. The Company offers its services through three distinct business units: Express-1, Inc. (expedited transportation solutions), the fifth largest U.S. expedited

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freight service provider, according to *The Journal of Commerce*; Concert Group Logistics, Inc. (domestic and international freight forwarding); and Bounce Logistics, Inc. (premium truckload brokerage). The Company serves more than 4,000 retail, commercial, manufacturing and industrial customers through six U.S. operations centers and 23 agent locations. [www.xpocorporate.com](http://www.xpocorporate.com)

### **Forward-Looking Statements**

*This press release contains forward-looking statements. Statements that are not historical facts, including statements about beliefs or expectations, are forward-looking statements. These statements are based on plans, estimates and projections at the time the statements are made, and readers should not place undue reliance on them. In some cases, readers can identify forward-looking statements by the use of forward-looking terms such as may, will, should, expect, intend, plan, anticipate, believe, estimate, predict, potential or continue or the negative of these terms or other comparable terms. Forward-looking statements involve inherent risks and uncertainties and readers are cautioned that a number of important factors could cause actual results to differ materially from those contained in any such forward-looking statements. Factors that could cause actual results to differ materially from those described in this press release include, among others: uncertainties as to the timing of the proposed equity investment; the possibility that competing transaction proposals will be made; the possibility that various closing conditions for the proposed equity investment may not be satisfied or waived; the possibility that the warrants contemplated by the proposed equity investment, if issued, will not be exercised; the potential inability to identify and consummate acquisitions and arrange adequate financing; the acquisition of businesses or the launch of new lines of business could increase operating expenses and dilute operating margins; increased competition could lead to negative pressure on our pricing and the need for increased marketing; the inability to maintain, establish or renew relationships with customers, whether due to competition or other factors; the inability to comply with regulatory requirements governing our business operations; the general risks associated with our businesses; general economic and business conditions; and other factors. Readers are cautioned not to place undue reliance on the forward-looking statements included in this press release, which speak only as of the date hereof. Neither the Company nor any other person undertakes any obligation to update any of these statements in light of new information or future events.*

#### **Contact:**

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**Express-1 Expedited Solutions, Inc.**  
**Consolidated Balance Sheets**

|  | <b>(Unaudited)</b>   |                          |
|--|----------------------|--------------------------|
|  | <b>June 30, 2011</b> | <b>December 31, 2010</b> |
| <b>ASSETS</b>  |                      |                          |
| <b>Current assets:</b>   |                      |                          |
| Cash   | \$ 647,000           | \$ 561,000               |
| Accounts receivable, net of allowances of \$137,000 and \$136,000, respectively                              | 24,533,000           | 24,272,000               |
| Prepaid expenses   | 601,000              | 257,000                  |
| Deferred tax asset, current  | 0                    | 314,000                  |
| Income tax receivable  | 859,000              | 1,348,000                |
| Other current assets   | 251,000              | 813,000                  |
| <b>Total current assets</b>  | <b>26,891,000</b>    | <b>27,565,000</b>        |
| Property and equipment, net of \$3,611,000 and \$3,290,000 in accumulated depreciation, respectively         | 2,865,000            | 2,960,000                |
| Goodwill   | 16,959,000           | 16,959,000               |
| Identifiable intangible assets, net of \$3,094,000 and \$2,827,000 in accumulated amortization, respectively | 8,280,000            | 8,546,000                |
| Loans and advances   | 120,000              | 126,000                  |
| Other long-term assets   | 481,000              | 516,000                  |
| <b>Total long-term assets</b>  | <b>28,705,000</b>    | <b>29,107,000</b>        |
| <b>Total assets</b>  | <b>\$ 55,596,000</b> | <b>\$ 56,672,000</b>     |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                      |                          |
| <b>Current liabilities:</b>  |                      |                          |
| Accounts payable   | \$ 8,890,000         | \$ 8,756,000             |
| Accrued salaries and wages   | 402,000              | 1,165,000                |
| Accrued expenses, other  | 2,945,000            | 2,877,000                |
| Deferred tax liabilities, current  | 80,000               | 0                        |
| Current maturities of long-term debt and capital leases  | 1,667,000            | 1,680,000                |
| Other current liabilities  | 646,000              | 773,000                  |
| <b>Total current liabilities</b>   | <b>14,630,000</b>    | <b>15,251,000</b>        |
| Line of credit   | 0                    | 2,749,000                |
| Long-term debt and capital leases, net of current maturities   | 1,250,000            | 2,083,000                |
| Deferred tax liability, long-term  | 2,338,000            | 2,032,000                |
| Other long-term liabilities  | 426,000              | 544,000                  |

|  |               |               |
|--|---------------|---------------|
| <b>Total long-term liabilities</b>   | 4,014,000     | 7,408,000     |
| <b>Stockholders equity:</b>  |               |               |
| Preferred stock, \$.001 par value; 10,000,000 shares; no shares issued or outstanding  | 0             | 0             |
| Common stock, \$.001 par value; 100,000,000 shares authorized; 33,191,561 and 32,687,522 shares issued, respectively; and 33,011,561 and 32,507,522 shares outstanding, respectively | 33,000        | 33,000        |
| Additional paid-in capital   | 28,116,000    | 27,208,000    |
| Treasury stock, at cost, 180,000 shares held   | (107,000)     | (107,000)     |
| Accumulated earnings   | 8,910,000     | 6,879,000     |
| <b>Total stockholders equity</b>   | 36,952,000    | 34,013,000    |
| <b>Total liabilities and stockholders equity</b>   | \$ 55,596,000 | \$ 56,672,000 |

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**Express-1 Expedited Solutions, Inc.**  
**Consolidated Statements of Operations**

|   | <b>Three Months Ended</b> |                          | <b>Six Months Ended</b>  |                          |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>June 30,<br/>2011</b>  | <b>June 30,<br/>2010</b> | <b>June 30,<br/>2011</b> | <b>June 30,<br/>2010</b> |
| <b>Revenues</b>   |                           |                          |                          |                          |
| Operating revenue   | \$ 44,094,000             | \$ 40,340,000            | \$ 85,602,000            | \$ 71,982,000            |
| <b>Expenses</b>   |                           |                          |                          |                          |
| Direct expense  | 36,914,000                | 33,101,000               | 71,215,000               | 59,144,000               |
| <b>Gross margin</b>                                       |                           |                          |                          |                          |
| Selling, general and administrative expense               | 7,180,000                 | 7,239,000                | 14,387,000               | 12,838,000               |
|   | 5,537,000                 | 4,598,000                | 10,744,000               | 8,673,000                |
| <b>Operating income</b>                                   |                           |                          |                          |                          |
| Other expense   | 1,643,000                 | 2,641,000                | 3,643,000                | 4,165,000                |
| Interest expense  | 33,000                    | 34,000                   | 62,000                   | 54,000                   |
|   | 47,000                    | 88,000                   | 96,000                   | 108,000                  |
| <b>Income before income tax provision</b>                 |                           |                          |                          |                          |
| Income tax provision                                      | 1,563,000                 | 2,519,000                | 3,485,000                | 4,003,000                |
|   | 649,000                   | 1,015,000                | 1,454,000                | 1,665,000                |
| <b>Net income</b>   |                           |                          |                          |                          |
|   | \$ 914,000                | \$ 1,504,000             | \$ 2,031,000             | \$ 2,338,000             |
| <br><b>Basic earnings per common share</b>                |                           |                          |                          |                          |
| Net income  | \$ 0.03                   | \$ 0.05                  | \$ 0.06                  | \$ 0.07                  |
| <br><b>Diluted earnings per common share</b>              |                           |                          |                          |                          |
| Net income  | \$ 0.03                   | \$ 0.05                  | \$ 0.06                  | \$ 0.07                  |
| <br><b>Weighted average common shares<br/>outstanding</b> |                           |                          |                          |                          |
| Basic weighted average common shares<br>outstanding       | 33,010,881                | 32,044,116               | 32,857,654               | 32,039,706               |
| Diluted weighted average common shares<br>outstanding     | 34,333,656                | 32,645,399               | 34,211,517               | 32,602,367               |

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**Express-1 Expedited Solutions, Inc.**  
**Summary Financial Table**  
**For the Three Months Ended June 30, 2011 and 2010**  
**(Unaudited)**

|  | Three Months Ended June<br>30, |                   | Quarter to Quarter<br>Change |                  | Percent of<br>Business Unit<br>Revenue |               |
|--|--------------------------------|-------------------|------------------------------|------------------|--|---------------|
|  | 2011                           | 2010              | In Dollars                   | In<br>Percentage | 2011                                   | 2010          |
| <b>Revenues</b>  |                                |                   |                              |                  |  |               |
| Express-1  | \$ 23,060,000                  | \$ 20,557,000     | \$ 2,503,000                 | 12.2%            | 52.2%                                  | 51.0%         |
| CGL  | 15,722,000                     | 16,074,000        | (352,000)                    | -2.2%            | 35.7%                                  | 39.8%         |
| Bounce   | 6,687,000                      | 4,675,000         | 2,012,000                    | 43.0%            | 15.2%                                  | 11.6%         |
| Intercompany<br>eliminations                           | (1,375,000)                    | (966,000)         | (409,000)                    | 42.3%            | -3.1%                                  | -2.4%         |
| <b>Total revenues</b>                                  | <b>44,094,000</b>              | <b>40,340,000</b> | <b>3,754,000</b>             | <b>9.3%</b>      | <b>100.0%</b>                          | <b>100.0%</b> |
| <b>Direct expenses</b>                                 |                                |                   |                              |                  |  |               |
| Express-1  | 18,573,000                     | 15,720,000        | 2,853,000                    | 18.1%            | 80.5%                                  | 76.5%         |
| CGL  | 14,051,000                     | 14,426,000        | (375,000)                    | -2.6%            | 89.4%                                  | 89.7%         |
| Bounce   | 5,665,000                      | 3,921,000         | 1,744,000                    | 44.5%            | 84.7%                                  | 83.9%         |
| Intercompany<br>eliminations                           | (1,375,000)                    | (966,000)         | (409,000)                    | 42.3%            | 100.0%                                 | 100.0%        |
| <b>Total direct expenses</b>                           | <b>36,914,000</b>              | <b>33,101,000</b> | <b>3,813,000</b>             | <b>11.5%</b>     | <b>83.7%</b>                           | <b>82.1%</b>  |
| <b>Gross margin</b>                                    |                                |                   |                              |                  |  |               |
| Express-1  | 4,487,000                      | 4,837,000         | (350,000)                    | -7.2%            | 19.5%                                  | 23.5%         |
| CGL  | 1,671,000                      | 1,648,000         | 23,000                       | 1.4%             | 10.6%                                  | 10.3%         |
| Bounce   | 1,022,000                      | 754,000           | 268,000                      | 35.5%            | 15.3%                                  | 16.1%         |
| <b>Total gross margin</b>                              | <b>7,180,000</b>               | <b>7,239,000</b>  | <b>(59,000)</b>              | <b>-0.8%</b>     | <b>16.3%</b>                           | <b>17.9%</b>  |
| <b>Selling, general &amp;<br/>administrative</b>       |                                |                   |                              |                  |  |               |
| Express-1  | 2,473,000                      | 2,355,000         | 118,000                      | 5.0%             | 10.7%                                  | 11.5%         |
| CGL  | 1,272,000                      | 1,093,000         | 179,000                      | 16.4%            | 8.1%                                   | 6.8%          |
| Bounce   | 850,000                        | 613,000           | 237,000                      | 38.7%            | 12.7%                                  | 13.1%         |
| Corporate  | 942,000                        | 537,000           | 405,000                      | 75.4%            | 2.1%                                   | 1.3%          |
| <b>Total selling, general<br/>&amp; administrative</b> | <b>5,537,000</b>               | <b>4,598,000</b>  | <b>939,000</b>               | <b>20.4%</b>     | <b>12.6%</b>                           | <b>11.4%</b>  |



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|                          |            |              |              |        |       |       |
|--------------------------|------------|--------------|--------------|--------|-------|-------|
| <b>Operating income</b>  |            |              |              |        |       |       |
| Express-1                | 2,014,000  | 2,482,000    | (468,000)    | -18.9% | 8.7%  | 12.1% |
| CGL                      | 399,000    | 555,000      | (156,000)    | -28.1% | 2.5%  | 3.5%  |
| Bounce                   | 172,000    | 141,000      | 31,000       | 22.0%  | 2.6%  | 3.0%  |
| Corporate                | (942,000)  | (537,000)    | (405,000)    | -75.4% | -2.1% | -1.3% |
| <b>Operating income</b>  | 1,643,000  | 2,641,000    | (998,000)    | -37.8% | 3.7%  | 6.5%  |
| Interest expense         | 47,000     | 88,000       | (41,000)     | -46.6% | 0.1%  | 0.2%  |
| Other expense            | 33,000     | 34,000       | (1,000)      | -2.9%  | 0.1%  | 0.1%  |
| <b>Income before tax</b> | 1,563,000  | 2,519,000    | (956,000)    | -38.0% | 3.5%  | 6.2%  |
| Tax provision            | 649,000    | 1,015,000    | (366,000)    | -36.1% | 1.5%  | 2.5%  |
| <b>Net income</b>        | \$ 914,000 | \$ 1,504,000 | \$ (590,000) | -39.2% | 2.0%  | 3.7%  |

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**Express-1 Expedited Solutions, Inc.**  
**Summary Financial Table**  
**For the Six Months Ended June 30, 2011 and 2010**  
**(Unaudited)**

|  | Six Months Ended June 30, |               | Year to Year Change |               | Percent of Business Unit Revenue |        |
|--|---------------------------|---------------|---------------------|---------------|----------------------------------|--------|
|  | 2011                      | 2010          | In Dollars          | In Percentage | 2011                             | 2010   |
| <b>Revenues</b>                                    |                           |               |                     |               |                                  |        |
| Express-1  | \$ 43,802,000             | \$ 36,769,000 | \$ 7,033,000        | 19.1%         | 51.1%                            | 51.1%  |
| CGL  | 31,461,000                | 29,012,000    | 2,449,000           | 8.4%          | 36.8%                            | 40.3%  |
| Bounce   | 12,670,000                | 7,798,000     | 4,872,000           | 62.5%         | 14.8%                            | 10.8%  |
| Intercompany eliminations                          | (2,331,000)               | (1,597,000)   | (734,000)           | 46.0%         | -2.7%                            | -2.2%  |
| <b>Total revenues</b>                              | 85,602,000                | 71,982,000    | 13,620,000          | 18.9%         | 100.0%                           | 100.0% |
| <b>Direct expenses</b>                             |                           |               |                     |               |                                  |        |
| Express-1  | 34,762,000                | 28,262,000    | 6,500,000           | 23.0%         | 79.4%                            | 76.9%  |
| CGL  | 28,064,000                | 25,954,000    | 2,110,000           | 8.1%          | 89.2%                            | 89.5%  |
| Bounce   | 10,720,000                | 6,525,000     | 4,195,000           | 64.3%         | 84.6%                            | 83.7%  |
| Intercompany eliminations                          | (2,331,000)               | (1,597,000)   | (734,000)           | 46.0%         | 100.0%                           | 100.0% |
| <b>Total Direct expenses</b>                       | 71,215,000                | 59,144,000    | 12,071,000          | 20.4%         | 83.2%                            | 82.2%  |
| <b>Gross margin</b>                                |                           |               |                     |               |                                  |        |
| Express-1  | 9,040,000                 | 8,507,000     | 533,000             | 6.3%          | 20.6%                            | 23.1%  |
| CGL  | 3,397,000                 | 3,058,000     | 339,000             | 11.1%         | 10.8%                            | 10.5%  |
| Bounce   | 1,950,000                 | 1,273,000     | 677,000             | 53.2%         | 15.4%                            | 16.3%  |
| <b>Total gross margin</b>                          | 14,387,000                | 12,838,000    | 1,549,000           | 12.1%         | 16.8%                            | 17.8%  |
| <b>Selling, general &amp; administrative</b>       |                           |               |                     |               |                                  |        |
| Express-1  | 5,125,000                 | 4,376,000     | 749,000             | 17.1%         | 11.7%                            | 11.9%  |
| CGL  | 2,526,000                 | 2,247,000     | 279,000             | 12.4%         | 8.0%                             | 7.7%   |
| Bounce   | 1,640,000                 | 1,035,000     | 605,000             | 58.5%         | 12.9%                            | 13.3%  |
| Corporate  | 1,453,000                 | 1,015,000     | 438,000             | 43.2%         | 1.7%                             | 1.4%   |
| <b>Total selling, general &amp; administrative</b> | 10,744,000                | 8,673,000     | 2,071,000           | 23.9%         | 12.6%                            | 12.0%  |

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|                          |              |              |              |        |       |       |
|--------------------------|--------------|--------------|--------------|--------|-------|-------|
| <b>Operating income</b>  |              |              |              |        |       |       |
| Express-1                | 3,915,000    | 4,131,000    | (216,000)    | -5.2%  | 8.9%  | 11.2% |
| CGL                      | 871,000      | 811,000      | 60,000       | 7.4%   | 2.8%  | 2.8%  |
| Bounce                   | 310,000      | 238,000      | 72,000       | 30.3%  | 2.4%  | 3.1%  |
| Corporate                | (1,453,000)  | (1,015,000)  | (438,000)    | -43.2% | -1.7% | -1.4% |
| <b>Operating income</b>  | 3,643,000    | 4,165,000    | (522,000)    | -12.5% | 4.2%  | 5.8%  |
| Interest expense         | 96,000       | 108,000      | (12,000)     | -11.1% | 0.1%  | 0.2%  |
| Other expense            | 62,000       | 54,000       | 8,000        | 14.8%  | 0.1%  | 0.1%  |
| <b>Income before tax</b> | 3,485,000    | 4,003,000    | (518,000)    | -12.9% | 4.0%  | 5.5%  |
| Tax provision            | 1,454,000    | 1,665,000    | (211,000)    | -12.7% | 1.7%  | 2.3%  |
| <b>Net income</b>        | \$ 2,031,000 | \$ 2,338,000 | \$ (307,000) | -13.1% | 2.3%  | 3.2%  |