Echo Global Logistics, Inc.
Form 10-K
March 17, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark one)

ý **Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2009 or**

o **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

Commission file number 001-34470

ECHO GLOBAL LOGISTICS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-5001120**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
600 West Chicago Avenue, Suite 725 **Chicago, Illinois**	**60654**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(800) 354-7993**

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

Title of each class	**Name of each exchange on which registered**
Common Stock, Par Value $0.0001 per share	The NASDAQ Global Market

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

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

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

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

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

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

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

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

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

At June 30, 2009, there was no public market for the registrant's common stock.

The number of shares of the registrant's common stock outstanding as of the close of business on March 16, 2010 was 21,768,659.

Documents incorporated by reference:

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders are incorporated by reference into Part III, provided, that if such proxy statement is not filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K, an amendment to this Form 10-K shall be filed no later than the end of such 120-day period.

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Item 1. ***Business***

Unless otherwise indicated or the context otherwise requires, references in this Annual Report on Form 10-K to "Echo Global Logistics, Inc.," "Echo," the "Company," "we," "us" or "our" are to Echo Global Logistics, Inc., a Delaware corporation and subsidiaries.

Certain statements in this Annual Report on Form 10-K are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act"), and Section 21E if the Securities Exchange Act of 1934, as amended (the Exchange Act"). These statements involve a number of risks, uncertainties, and other factors that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors which could materially affect such forward-looking statements can be found in the section entitled "Risk Factors" in Part I, Item IA and Part I, Item 7 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K. Investors are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date hereof and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Our Company

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

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

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

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to our clients. After the carrier is selected, either by the client or us, we use our ETM technology platform to manage all aspects of the shipping process.

Our clients gain access to our carrier network through our proprietary web-based technology platform, which enables them to capitalize on our logistics knowledge, pricing intelligence and purchasing leverage. In some instances, our clients have eliminated their internal logistics departments altogether, allowing them to reduce overhead costs, redeploy internal resources and focus on their core businesses. Using our web-based software applications also provides our clients with the ability to track individual shipments, transfer shipment-level data to their financial management systems and create customized dashboards and reports detailing carrier activity on an enterprise-wide basis. These features provide our clients with greater visibility, business analytics and control of their freight expenditures.

We procure transportation and provide logistics services for more than 15,600 clients across a wide range of industries, such as manufacturing, construction, consumer products and retail. Our clients fall into two categories, enterprise and transactional. We typically enter into multi-year contracts with our enterprise clients, which are often on an exclusive basis for a specific transportation mode or point of origin. As part of our value proposition, we also provide core logistics services to these clients, including the management of both freight expenditures and logistical issues surrounding freight to be transported. We provide transportation and logistics services to our transactional clients on a shipment-by-shipment.

Initial Public Offering

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

Our Founders

Eric P. Lefkofsky, Richard A. Heise, Jr. and Bradley A. Keywell (the "Founders") founded Echo in January 2005 ("Inception"). In December 2006, Douglas R. Waggoner was hired as our Chief Executive Officer. Mr. Waggoner has worked in the transportation industry for 29 years, most recently as the President and Chief Executive Officer of USF Bestway. In February 2007, Samuel K. Skinner became the Chairman of our Board of Directors. Mr. Skinner has extensive experience in the transportation industry, having served as Secretary of Transportation and White House Chief of Staff under President George H.W. Bush and as the Chairman, Chief Executive Officer and President of USF Corporation.

In recent years, the Founders have also been involved in the formation of other companies that, like Echo, are based on business models that employ innovative technology, logistics expertise and management experience to capitalize on inefficiencies in traditional supply chains and create compelling value propositions for both customers and suppliers. For example, Messrs. Lefkofsky and Heise were founders of InnerWorkings, Inc. (NASDAQ: INWK).

Prior to the hiring of Mr. Waggoner, Messrs. Keywell and Lefkofsky shared responsibility in overseeing day-to-day executive management of Echo's operations. Messrs. Keywell and Lefkofsky continue to have input that extends beyond their respective roles as members of our Board. In view of the significant role each of them played in our formation and development, members of our management continue to consult with each of Messrs. Keywell and Lefkofsky on a regular basis concerning a broad range of operating and strategic issues.

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Our Market Opportunity

Overview of the Transportation and Logistics Market

Transportation involves the physical movement of goods, and logistics relates to the management and flow of those goods from origin to destination. The worldwide transportation and logistics market is an integral part of the global economy. According to the Council of Supply Chain Management Professionals, total transportation and logistics spend for the United States in 2008 was approximately $1.3 trillion. According to Armstrong & Associates, an independent research firm, gross revenue for third-party logistics in the United States in 2008 was approximately $127.0 billion.

We believe that a significant portion of available transportation capacity in the United States remains unused as a result of the inefficiencies in the transportation and logistics market relating to the absence of an established and automated marketplace. Without this marketplace, demand is not always matched with available supply due to constant fluctuations in transportation capacity and imperfect information, resulting in underutilized assets. Unused transportation capacity occurs, for example, when a transportation provider delivers its primary load, or headhaul, to a destination and does not have an adequate backhaul shipment back to its point of origin. Additionally, logistics decisions such as carrier selection are made with limited analysis and access to real-time capacity data. As a result, carrier selection is regularly driven by the effectiveness of a carrier's sales organization and decisions are made with limited price information.

Third-Party Logistics Services

As companies seek to become more competitive, they tend to focus on their core business processes and outsource their non-core business processes to third-party providers. Third-party logistics providers for the transportation industry offer services such as transportation, distribution, supply chain management, customs brokerage, warehousing and freight management. Third-party logistics providers may also provide a range of ancillary services such as packaging and labeling, freight tracking and integration with client-specific planning systems to facilitate supply chain management.

According to Armstrong & Associates, from 1996 to 2008, the United States third-party logistics market grew at a 12.5% compounded annual rate, from $30.8 billion to $127.0 billion in gross revenue. In addition, according to Armstrong & Associates, less than 10% of logistics expenditures for the United States were outsourced in 2008. We believe that the market penetration of third-party logistics in the United States will continue to expand and the third-party logistics market in the United States will continue to grow over the next several years. We also believe that many companies will look to outsource their entire shipping department to third-party logistics providers rather than contracting with providers on a shipment-by-shipment basis.

The market for third-party logistics providers is highly fragmented. According to the Transportation Intermediaries Association, a professional organization representing transportation intermediaries, no single third-party logistics provider controls more than 5% of the United States market. Although a variety of business models exist within the transportation and logistics market, transportation providers are generally divided into two primary categories: asset-based transportation providers and non-asset-based service providers. Most asset-based providers have significant capital equipment and infrastructure and typically focus on maximizing their individual asset utilization to limit the amount of unused transportation capacity and increase their return on investment. Non-asset-based providers do not own the transportation equipment that is used to transport their clients' shipments, but instead serve as intermediaries that procure access to physical transportation capacity for shippers and contract warehousing providers. According to Armstrong & Associates, measured by 2008 gross revenue, asset-based providers accounted for 23% of domestic U.S. transportation management services while non-asset-based providers accounted for the other 77%.

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Many large third-party logistics providers are asset-based providers. Non-asset-based providers typically operate as small freight brokers with limited resources, limited carrier networks and modest or outdated information technology systems. We believe very few non-asset-based providers have more than 100 personnel and the small providers, comprising the vast majority, lack the scale to support the increasing requirements for national and global coverage across multiple modes of transportation, the ability to offer complete outsourcing and the ability to provide their clients with technology-driven logistics services.

Transportation and Logistics Services Trends

We believe that the following trends will continue to drive growth in the third-party logistics market:

Recognition of Outsourcing Efficiencies. Companies increasingly recognize that repetitive and non-core functions such as transportation and logistics management can be outsourced to specialists, resulting in cost savings, improved service and increased return on investment. By outsourcing transportation and logistics to third-party providers, companies can also achieve greater operational flexibility by redeploying resources to core activities. According to Armstrong & Associates, the United States outsourced logistics market has grown from $30.8 billion in 1996 to $127.0 billion in gross revenue in 2008, which we believe evidences the recognition of the benefits of outsourcing logistics.

Increasing Complexity of Global Supply Chains. As global supply chains become more complex, we believe customers will increasingly rely on single providers that can provide the full range of logistics services across multiple transportation modes. Additionally, as manufacturing processes continue to shift towards lower cost centers, raw materials and finished products are traveling greater distances to reach their destination for consumption. At the same time, companies are seeking ways to reduce costs and compete with global competitors. These challenges have forced companies to look for ways to benefit from low cost labor regions and optimize their business processes. We believe that globalization results in an increased demand for logistics service providers that have national and global carrier relationships across multiple modes of transportation.

Demand for Technology Enabled Transportation Management and Logistics Services. Logistics services have historically been focused on realizing immediate cost savings on a shipment-by-shipment basis using a labor-intensive, non-scalable process. Information technology is becoming an important catalyst for logistics services, and clients will benefit from providers that are technologically sophisticated and able to analyze data to optimize the marketplace. Technology enabled third-party logistics providers can also identify transportation routes and excess capacity and are able to aggregate purchasing power more efficiently than traditional third-party logistics providers.

Opportunity for Providers of Technology Enabled Transportation and Logistics Services

In the current state of the transportation and logistics market, we believe a third-party logistics provider with superior technology-driven services can differentiate itself by offering additional cost-savings through its ability to:

- analyze real-time carrier pricing across multiple transportation modes through proprietary data repositories;
- aggregate clients' shipping spend for better pricing;
- build more sophisticated pricing algorithms;
- analyze historical transportation spend data;
- offer access to real-time tracking, monitoring and reporting on shipments;

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- integrate with clients' existing technology applications;
- provide improved reporting and auditing capabilities; and
- evaluate carrier performance.

Our Competitive Advantage

We believe a number of important competitive strengths will continue to drive our success in the future, including:

Innovative business model with compelling value proposition for clients. We believe our technology-driven, transportation and logistics services improve on traditional transportation outsourcing models because we aggregate fragmented supply and demand information across all major modes of transportation from our network of clients and carriers. By using our proprietary technology platform and market information (including current pricing, service and available capacity data as well as historical transaction information) stored in our database, we are able to recommend a carrier for each shipment regardless of mode, at any given moment, typically at a highly competitive price. Our clients benefit from our buying power aggregated through our more than 15,600 clients. We believe this buying power enables us to provide an efficient network of capacity at preferential rates. As a result, we are typically able to reduce many of our enterprise clients' total annual transportation and logistics costs by between approximately 5% to 15%, while providing high-quality service.

Scalable, proprietary technology platform. Our proprietary ETM technology platform is a web-based software application that provides competitive pricing, supply chain visibility and shipment execution across all major modes of transportation. Our proprietary technology platform can support a significant increase in the number of clients we serve and shipments we execute without a significant additional capital investment. ETM allows us to compile freight and logistics data from our diversified network of over 24,000 carriers to serve our clients' shipping needs and optimize their freight management. Our ETM database expands and becomes more difficult to replicate as we increase the number of shipments and the amount of pricing, service and available capacity data increases. We use our ETM technology platform to analyze the capabilities of our carrier network and recommend cost-effective carriers in the appropriate transportation mode. We also use our ETM technology platform to track individual shipments and provide customized reports throughout the lifecycle of each shipment, allowing us to manage the entire shipping process from pick-up to delivery as part of our value proposition. ETM provides client-specific information by giving them self-service access to carrier pricing information derived from data stored within ETM. The collective components of our ETM technology platform allow us to craft integrated transportation and supply chain management services for each client. We believe that the ability to provide these integrated transportation and supply chain management solutions furthers our competitive advantage.

End-to-end technology enabled services embedded in clients' business processes. Our proprietary technology platform provides a central, scalable and configurable portal interface that enables our clients to manage their transportation and logistics costs. Our web-based software provides our clients with access to transportation market analytics and business information capabilities. By using our suite of web-based applications, our clients can obtain real-time information on individual shipments and available capacity, transfer shipment-level data to their financial management systems and create customized dashboards and reports detailing carrier activity on an enterprise-wide basis. In addition, we offer our enterprise clients superior client care through dedicated teams of account executives and on-site support. We believe our proprietary technology and logistics expertise provide us with the ability to effectively serve the increasingly complex global supply chain needs of our client base and have enabled some of our clients to eliminate their internal logistics departments.

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High levels of user satisfaction. Our web-based software applications enable our clients to manage the complexities in their transportation and supply chain functions. Our supply chain management services allow our clients to capitalize on our logistics expertise, pricing information and purchasing leverage in a user-friendly interface. We typically have received ratings indicating high levels of satisfaction from a wide range of our clients based on data collected from our periodic client surveys.

Multi-faceted sales strategy leveraging deep logistics expertise. We have built a multi-faceted sales strategy that effectively utilizes our enterprise sales representatives, transactional sales representatives and agent network. Our enterprise sales representatives typically have significant sales expertise and are focused on building relationships with our clients' senior management teams to execute multi-year enterprise contracts, typically with terms of one to three years. Our transactional sales representatives, with support from our account executives, are focused on building new transactional client relationships and migrating transactional accounts to enterprise accounts. From Inception through December 31, 2009, 35 of our enterprise accounts were converted from transactional accounts, and of the 24 contracts entered into with new enterprise clients in 2009, nine were converted from transactional accounts. Our network of agents enables us to benefit from seasoned industry professionals with access to regional shipping markets.

Our agents are typically experienced industry sales professionals focused on building relationships with department level transportation managers with both existing and prospective clients, such as shipping, traffic or logistics managers. From Inception through December 31, 2009, 60 of our enterprise accounts and 3,182 of our transactional accounts were sourced through our network of agents. Our multi-faceted sales strategy enables us to engage clients on a shipment-by-shipment basis (transactional) or a fully or partially outsourced basis (enterprise), which we believe significantly enhances our ability to attract new clients and increase our revenue from existing clients. Our ability to work with clients on a transactional basis also allows for a gradual and transparent transition to a fully-outsourced enterprise engagement, which we believe enhances our ability to sign new enterprise contracts.

Proven track record of success with large enterprise clients. We believe that our record of success in serving large enterprises is a key competitive advantage. As of December 31, 2009, we had contracts with 116 enterprise clients, and the total number of enterprise clients increased by 30 and 24 in 2008 and 2009, respectively. The size, diversity and reputation of these clients, combined with our track record of successful renewals, demonstrates our ability to handle complex client and industry-specific transportation needs.

Access to our carrier network. Our carrier network consists of over 24,000 carriers that have been selected based on their ability to effectively serve our clients on the basis of price, capabilities, geographic coverage and quality of service. We regularly monitor our carriers' pricing, shipment track record, capacity and financial stability using a system in which carriers are graded based on their performance against other carriers, giving our clients an enhanced level of quality control. By using our visibility into carrier capacity, we are also able to negotiate favorable rates, manage our clients' transportation spend and identify cost-effective shipping alternatives.

Experienced management team. We have a highly experienced management team with extensive industry knowledge. Our Chief Executive Officer, Douglas R. Waggoner, is the former President and CEO of USF Bestway, a regional carrier based in Scottsdale, Arizona, and Daylight Transport, a LTL carrier based in Long Beach, California. Our non-executive Chairman, Samuel K. Skinner, is the former Chairman, President and Chief Executive Officer of USF Corporation and the former Secretary of Transportation of the United States of America.

Our Strategy

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

Expand our client base. We intend to develop new long-term client relationships by using our industry experience and expanding our sales and marketing activities. As of December 31, 2009, we had contracts with 116 enterprise clients, and the total number of enterprise clients increased by 30 and 24 in 2008 and 2009, respectively. We seek to attract new enterprise clients by targeting companies with substantial transportation needs and demonstrating our ability to reduce their transportation costs by using our ETM technology platform. In addition, we plan to continue to hire additional sales representatives to build our transactional business across all major modes. We believe our business model provides us with a competitive advantage in recruiting sales representatives as it enables our representatives to leverage our proprietary technology and carrier network to market a broader range of services to their clients at competitive prices.

Further penetrate our established client base. We believe our established client base presents a substantial opportunity for growth. As we demonstrate our ability to execute shipments with high levels of service and favorable pricing, we are able to strengthen our relationships with our clients, penetrate incremental modes and geographic areas and generate more shipments. As we become more fully integrated into the businesses of our transactional clients and are able to identify additional opportunities for efficiencies, we seek to further penetrate our client base by selling our enterprise services to those clients. Of our 116 enterprise clients as of December 31, 2009, 35 began as our transactional clients.

Further invest in our proprietary technology platform. We intend to continue to improve and develop Internet and software-based information technologies that are compatible with our ETM platform. In order to continue to meet our clients' transportation requirements, we intend to invest in specific technology applications and personnel in order to improve and expand our offering. As of December 31, 2009, we had approximately 6,000 individual users of ETM and as the number of users expands, we will continue to invest in both IT development and infrastructure.

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

Our Proprietary Technology Platform

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

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recommend cost-effective shipping alternatives. We believe that the carriers with the most available capacity typically offer the most competitive rates.

Our clients communicate their transportation needs to us electronically through our EchoTrak web portal, other computer protocols, or by phone. ETM generates pricing and carrier information for our clients by accessing pre-negotiated rates with preferred carriers or using present or historical pricing and capacity information contained in our database. If a client enters its own shipment, ETM automatically alerts the appropriate account executive. ETM's pricing algorithms are checked for accuracy before the rates are made available to our account executives. If an error occurs and an inaccurate rate is conveyed to a client, we will honor the quoted rate and correct the defective algorithm to ensure that all quoted rates going forward are accurately calculated. To date, any losses incurred as a result of an inaccurate quote have been negligible. After the carrier is selected, either by us or the client, our account executives use our ETM technology platform to manage all aspects of the shipping process.

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

The key elements of our ETM technology platform include:

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

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

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

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

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

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

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

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

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

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

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

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

In 2007, 2008 and 2009 we spent approximately $3.0 million, $2.5 million and $3.4 million, respectively, on the development of ETM and related technologies.

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

Our Services

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

Transportation Services

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

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

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

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

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

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

Logistics Services

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

- rate negotiation;
- procurement of transportation, both contractually and in the spot market;
- shipment execution and tracking;

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- carrier management, reporting and compliance;
- executive dashboard presentations and detailed shipment reports;
- freight bill audit and payment;
- claims processing and service refund management;
- design and management of inbound client freight programs;
- individually configured web portals and self-service data warehouses;
- ERP integration with transactional shipment data;
- and integration of shipping applications into client e-commerce sites.

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

Our Clients

We provide transportation and logistics services to corporate clients across a wide range of industries, such as manufacturing, construction, consumer products and retail. In the 2009, we served over 15,600 clients using approximately 6,500 different carriers and, from Inception through December 31, 2009, we served over 22,900 clients using approximately 12,700 different carriers. Our clients fall into two categories: enterprise and transactional.

Enterprise Clients

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

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

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

Our annual revenue from individual enterprise clients typically ranges from $100,000 to $10.0 million. Our revenue from all enterprise clients increased in the last two years, from $53.2 million

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in 2007 to $87.4 million in 2008 and to $109.1 million in 2009. Our revenue from enterprise clients as a percentage of total revenue was 56% in 2007, 43% in 2008 and 42% in 2009.

Transactional Clients

We provide transportation and logistics services to our transactional clients on a shipment-by-shipment basis, which are typically priced to our carriers on a spot, or transactional, basis. Our annual revenue from individual transactional clients typically ranges from $1,000 to $50,000. Of our 50 largest transactional clients in 2008, 45 placed orders with us during 2009, which we believe demonstrates our ability to meet a variety of transportation requirements on a recurring basis.

Our Carrier Network

Our carrier network provides our clients with substantial breadth and depth of offerings within each mode. In 2009, we used approximately 6,200 TL carriers, 100 LTL carriers, 16 small parcel carriers, 57 inter-modal carriers, 12 domestic air carriers and 80 international carriers. Our ability to attract new carriers to our network and maintain good relationships with our current carriers is critical to the success of our business. We rely on our carriers to provide the physical transportation services for our clients, valuable pricing information for our proprietary database and tracking information throughout the shipping process from origin to destination. We believe we provide value to our carriers by enabling them to fill excess capacity on traditionally empty routes, repositioning their equipment and therefore offsetting their substantial overhead costs to generate incremental revenue. In addition, we introduce many of our clients to new carriers and broaden each carrier's market presence by expanding its sales channels to a larger client base.

We select carriers based on their ability to effectively serve our clients with respect to price, technology capabilities, geographic coverage and quality of service. In the small parcel mode, we use nationally recognized carriers, such as FedEx and UPS. In other transportation modes, we maintain the quality of our carrier network by obtaining documentation to ensure each carrier is properly licensed and insured, and has an adequate safety rating. In addition, we continuously collect information on the carriers in our network regarding capacity, pricing trends, reliability, quality control standards and overall customer service. We believe this quality control program helps to ensure that our clients receive high-quality service regardless of the carrier that is selected for an individual shipment. In 2009, we used approximately 6,500 of the over 24,000 carriers in our network to provide shipping services to our clients.

The carriers in our network are of all sizes, including large national trucking companies, mid-sized fleets, small fleets and owner-operators of single trucks. We are not dependent on any one carrier, and our largest carriers by TL, LTL and small parcel accounted for less than 0.9%, 7.9% and 6.2%, respectively, of our total transportation costs across all modes in 2009. For international shipments, we currently rely on one forwarder to provide substantially all of our transportation. We consider our relationship with this carrier to be strong. In 2008 and 2009, international shipments accounted for 4% and 3% of our revenue, respectively.

Sales and Marketing

We market and sell our transportation and logistics services through our sales personnel located in four cities across the United States. As of December 31, 2009, our sales team consisted of 11 enterprise sales representatives, 353 transactional sales representatives and 172 agents. Our enterprise sales representatives typically have significant sales expertise and are focused on building relationships with clients' senior management teams to execute enterprise contracts. Our transactional sales representatives, located largely at our outbound call center in Chicago, are focused on building new transactional client relationships and migrating transactional accounts to enterprise accounts. Our agents, located in regional shipping markets throughout the United States, are typically experienced industry sales professionals focused on building relationships with our clients' transportation managers. We support our sales team with account executives. These individuals are generally responsible for customer service, developing relationships with client personnel and managing the shipping process from origin to destination.

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

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

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

Our transactional sales representatives, who focus on sales of our transportation and logistics services on a shipment-by-shipment basis, concentrate on building relationships with our transactional clients that could benefit from the competitive pricing and enhanced service associated with our services. Our ability to work with clients on a transactional basis provides us with an opportunity to demonstrate the cost savings associated with our technology-driven services before the client considers moving to a fully-outsourced enterprise engagement. Since our Inception in January 2005, 35 transactional clients have migrated to an enterprise engagement.

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

We had 24 sales representatives and agents as of December 31, 2005, 57 as of December 31, 2006, 191 as of December 31, 2007, 383 as of December 31, 2008 and 536 as of December 31, 2009. We intend to continue to hire sales representatives and agents with established client relationships that we believe can be developed into new revenue opportunities. We also expect to augment our sales force through selective acquisitions of transportation and logistics service providers with experienced sales representatives and agents in strategic geographical locations.

Competition

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

- internal shipping departments at companies that have substantial transportation requirements, many of which represent potential sales opportunities;

- non-asset-based logistics companies, such as C.H. Robinson Worldwide, Freightquote.com, Ozburn-Hessey Logistics, Total Quality Logistics and Transplace, with whom we compete most often;

- asset-based logistics companies, such as Schneider, FedEx, JB Hunt and ABF;

- carriers that offer logistics services, such as YRC, Conway and UPS, some of whom we frequently purchase transportation services from on behalf of our clients;

- freight forwarders that dispatch shipments via asset-based carriers, typically arranging for shipments to or from international destinations, such as Expeditors International; and

- smaller, niche service providers that provide services in a specific geographic market, industry segment or service area.

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

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

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

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Intellectual Property

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

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

Government Regulation

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

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

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

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

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Our import and export business in the United States is subject to U.S. Customs regulations imposed by U.S. Customs and Border Protection (the CBP). These regulations include significant notice and registration requirements. While not technically a regulatory requirement, participation in CBP's "Customs-Trade Partnership against Terrorism" (C-TPAT) program will be commercially necessary as we expand our international transportation business. Under C-TPAT, a transportation entity must maintain an effective transportation security program and cooperate with CPB initiatives and guidance. Participation in C-TPAT permits more efficient and expedited processing of shipments through U.S. Customs. We are currently providing customs broker services through contracts with licensed customs brokers.

We are subject to a broad range of foreign and domestic environmental and workplace health and safety requirements, including those governing discharges to air and water and the handling, disposal and release of hazardous substances and wastes. In the course of our operations, we may be asked to store, transport or arrange for the storage or transportation of substances that could result in liability under applicable laws if released into the environment. If a release of hazardous substances occurs while being transported by our subcontracted carrier, we may be required to participate in, or may have liability for response costs and the remediation of such a release. In such case, we also may be subject to claims for personal injury, property damage and damage to natural resources. Our exposure to and potential liability for these claims may be managed through agreements with our clients and suppliers.

The transportation industry is one of the largest sources of man made greenhouse gas emissions that contribute to global warming. National and transnational laws and initiatives to reduce and mitigate the effects of such emissions, such as the Kyoto Protocols and current laws and legislative initiatives in the European Union and the U.S. could significantly impact transportation modes and the economics of the transportation industry. Future environmental laws in this area could adversely affect our carriers' costs and practices and our business.

Although our current operations have not been significantly affected by compliance with, or liability arising under, these environmental, health and safety laws, we cannot predict what impact future environmental, health and safety regulations might have on our business.

Transportation-related regulations are greatly affected by U.S. national security legislation and related regulatory initiatives, and remain in a state of flux. We believe that we are in substantial compliance with applicable material regulations and that the costs of regulatory compliance have not had a material adverse impact on our operations to date. However, our failure to comply with the applicable regulations or to maintain required permits or licenses could result in substantial fines or revocation of our operating permits or licenses. We cannot predict the degree or cost of future regulations on our business. If we fail to comply with applicable governmental regulations, we could be subject to substantial fines or revocation of our permits and licenses.

Risk Management and Insurance

If a shipment is damaged during the delivery process, our client files a claim for the damaged shipment with us. In the cases where we have agreed (either contractually or otherwise) to pay for claims for damage to freight while in transit, we pursue reimbursement from the carrier for the claims. If we are unable to recover all or any portion of the claim amount from our carrier, we may bear the financial loss. We mitigate this risk by using our quality program to carefully select carriers with adequate insurance, quality control procedures and safety ratings. We also take steps to ensure that the coverage we provide to our clients for damaged shipments is substantially similar to the coverage that our carriers provide to us. In addition, we carry our own insurance to protect against client claims for damaged shipments.

We extend credit to certain clients as part of our business model. These clients are subject to an approval process prior to any extension of credit or increase in their current credit limit. Our finance

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department reviews each credit request and considers, among other things, payment history, current billing status, recommendations by various rating agencies and capitalization. Clients that pass our credit request procedures may receive a line of credit or an increase in their existing credit amount. We believe this review and approval process helps mitigate the risk of client defaults on extensions of credit and the related bad debt expense.

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

Properties

Our principal executive offices are located in Chicago, Illinois. We also maintain sales offices in Los Angeles, California, Vancouver, Washington, Park City, Utah, Troy, Michigan, Little Rock, Arkansas, Buffalo, Minnesota and Matteson, Illinois. We believe that our facilities are generally suitable to meet our needs for the foreseeable future; however, we will continue to seek additional space as needed to satisfy our growth.

Employees

As of December 31, 2009, we had 663 employees, consisting of 11 enterprise sales representatives, 353 transactional sales representatives, 181 account executives, 46 technology personnel and 72 administrative personnel. We also had 172 independent contractors working as sales agents, and a 53-person workforce based at our build, operate, transfer (BOT) facilities in Pune and Kolkata, India. We consider our employee relations to be good.

Legal Proceedings

We are not a party to any material pending legal proceedings.

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Item 1A. *Risk Factors*

Set forth below are certain risk factors that could harm our business, results of operations and financial condition. You should carefully read the following risk factors, together with the financial statements, related notes and other information contained in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements that contain risks and uncertainties. Please refer to the discussion of "Forward-Looking Statements" on page one of this Annual Report on Form 10-K in connection with your consideration of the risk factors and other important factors that may affect future results described below.

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and other information contained in this Annual Report on Form 10-K before you decide to buy our common stock. Our business, financial condition and operating results may suffer if any of the following risks are realized. If any of these risks or uncertainties occur, the trading price of our common stock could decline and you might lose all or part of your investment.

Risks Related to Our Business

If our carriers do not meet our needs or expectations, or those of our clients, our business could suffer.

The success of our business depends to a large extent on our relationships with clients and our reputation for providing high-quality technology enabled transportation and logistics services. We do not own or control the transportation assets that deliver our clients' freight, and we do not employ the people directly involved in delivering the freight. We rely on independent third-parties to provide TL, LTL, small parcel, inter-modal, domestic air, expedited and international services and to report certain information to us, including information relating to delivery status and freight claims. This reliance could cause delays in providing our clients with important service data and in the financial reporting of certain events, including recognizing revenue and recording claims. If we are unable to secure sufficient transportation services to meet our commitments to our clients, our operating results could be adversely affected, and our clients could switch to our competitors temporarily or permanently. Many of these risks are beyond our control and difficult to anticipate, including:

- changes in rates charged by transportation providers;
- supply shortages in the transportation industry, particularly among truckload carriers;
- interruptions in service or stoppages in transportation as a result of labor disputes; and
- changes in regulations impacting transportation.

If any of the third-parties we rely on do not meet our needs or expectations, or those of our clients, our professional reputation may be damaged and our business could be harmed. For international shipments, we currently rely on one carrier to provide substantially all of our transportation. If this carrier fails to meet our needs or expectations, our ability to offer international shipping services could be delayed or disrupted, and our costs may increase. In 2008 and 2009, international shipments accounted for 4% and 3% of our revenue, respectively.

Competition could substantially impair our business and our operating results.

Competition in the transportation services industry is intense. We compete against other non-asset-based logistics companies as well as asset-based logistics companies; freight forwarders that dispatch shipments via asset-based carriers; carriers offering logistics services; internal shipping departments at companies that have substantial transportation requirements; large business process outsourcing (BPO) service providers; and smaller, niche service providers that provide services in a specific geographic market, industry segment or service area. We also compete against carriers' internal sales forces and shippers' transportation departments. At times, we buy transportation services from our competitors.

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Historically, competition has created a downward pressure on freight rates, and continuation of this rate pressure may adversely affect the Company's revenue and income from operations.

In addition, a software platform and database similar to ETM could be created over time by a competitor with sufficient financial resources and comparable experience in the transportation services industry. If our competitors are able to offer comparable services, we could lose clients, and our market share and profit margin could decline. Our competitors may also establish cooperative relationships to increase their ability to address client needs. Increased competition may lead to revenue reductions, reduced profit margins or a loss of market share, any one of which could harm our business.

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

A significant portion of our revenue is derived from a relatively limited number of large clients. Revenue from our five largest clients, collectively, accounted for 19% of our revenue in 2009, and revenue from our 10 largest clients, collectively, accounted for 27% of our revenue in 2009. We are likely to continue to experience ongoing customer concentration, particularly if we are successful in attracting large enterprise clients. It is possible that revenue from these clients, either individually or as a group, may not reach or exceed historical levels in any future period. The loss or significant reduction of business from one or more of our major clients would adversely affect our results of operations.

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

Our ability to expand our business will depend, in part, on our ability to attract additional sales representatives and agents with established client relationships. Competition for qualified sales representatives and agents can be intense, and we may be unable to hire such persons. Any difficulties we experience in expanding the number of our sales representatives and agents could have a negative impact on our ability to expand our client base, increase our revenue and continue our growth.

In addition, we must retain our current sales representatives and agents and properly incentivize them to obtain new clients and maintain existing client relationships. If a significant number of our sales representatives and agents leave us, our revenue could be negatively impacted. We have entered into agreements with our sales representatives and agents that contain non-compete provisions to mitigate this risk, but we may need to litigate to enforce our rights under these agreements, which could be time-consuming, expensive and ineffective. A significant increase in the turnover rate among our current sales representatives and agents could also increase our recruiting costs and decrease our operating efficiency, which could lead to a decline in the demand for our services.

If our services do not achieve widespread commercial acceptance, our business will suffer.

Many companies coordinate the procurement and management of their logistics needs with their own employees using a combination of telephone, facsimile, e-mail and the Internet. Growth in the demand for our services depends on the adoption of our technology enabled transportation and logistics services. We may not be able to persuade prospective clients to change their traditional transportation management processes. Our business could suffer if our services are not accepted by the marketplace.

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

Our revenue increased to $259.6 million in 2009 from $7.3 million in 2005, representing an annual revenue growth rate of 353% from 2005 to 2006, 188% from 2006 to 2007, 112% from 2007 to 2008

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and 28% from 2008 to 2009. Between January 1, 2005 and December 31, 2009, the number of our employees, agents and independent contractors increased from 44 to 663. Continued growth could place a significant strain on our ability to:

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

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

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

We rely heavily on ETM, our proprietary software, to track and store externally and internally generated market data, analyze the capabilities of our carrier network and recommend cost-effective carriers in the appropriate transportation mode. To keep pace with changing technologies and client demands, we must correctly interpret and address market trends and enhance the features and functionality of our proprietary technology platform in response to these trends, which may lead to significant ongoing research and development costs. We may be unable to accurately determine the needs of our clients and the trends in the transportation services industry or to design and implement the appropriate features and functionality of our technology platform in a timely and cost-effective manner, which could result in decreased demand for our services and a corresponding decrease in our revenue. Despite testing, we may be unable to detect defects in existing or new versions of our proprietary software, or errors may arise in our software. Any failure to identify and address such defects or errors could result in loss of revenue or market share, liability to clients or others, diversion of resources, injury to our reputation, and increased service and maintenance costs. Correction of such errors could prove to be impossible or very costly, and responding to resulting claims or liability could similarly involve substantial cost.

We have not registered any patents nor trademarks to date, and our inability to protect our intellectual property rights may impair our competitive position.

Our failure to adequately protect our intellectual property and other proprietary rights could harm our competitive position. We rely on a combination of copyright, trademark, and trade secret laws, as well as license agreements and other contractual provisions to protect our intellectual property and other proprietary rights. In addition, we attempt to protect our intellectual property and proprietary information by requiring all of our employees and independent contractors to enter into confidentiality and invention assignment agreements. To date we have not pursued patent protection for our technology. We also have not registered trademarks to protect our brands. We cannot be certain that the steps we have taken to protect our intellectual property rights will be adequate or will prevent third-parties from infringing or misappropriating our rights; imitating or duplicating our technology, services or methodologies, including ETM; or using trademarks similar to ours. Should we need to resort to litigation to enforce our intellectual property rights or to determine the validity and scope of the rights of others, such litigation could be time-consuming and costly, and the result of any litigation is subject to uncertainty. In addition, ETM incorporates open source software components that are

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licensed to us under various public domain licenses. Although we believe that we have complied with our obligations under the various applicable licenses for the open source software that we use, there is little or no legal precedent governing the interpretation of many of the terms of these licenses, and the potential impact of such terms on our business is, therefore, difficult to predict.

We may be sued by third-parties for alleged infringement of their intellectual or proprietary rights.

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

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

We typically face a long selling cycle to secure a new enterprise contract, which requires significant investment of resources and time by both our clients and us. Before committing to use our services, potential clients require us to spend time and resources educating them on the value of our services and assessing the feasibility of integrating our systems and processes with theirs. Our clients then evaluate our services before deciding whether to use them. Therefore, our enterprise selling cycle, which can take up to six months, is subject to many risks and delays over which we have little control, including our clients' decisions to choose alternatives to our services (such as other providers or in-house resources) and the timing of our clients' budget cycles and approval processes.

Implementing our enterprise services, which can take from one to six months, involves a significant commitment of resources over an extended period of time from both our clients and us. Depending on the scope and complexity of the processes being implemented, these time periods may be significantly longer. Our clients and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources, which could have a material adverse effect on our business, results of operations, financial condition and cash flows, as we do not recognize significant revenue until after we have completed the implementation phase.

Our clients may terminate their relationships with us on short notice with limited or no penalties, and our clients are not obligated to spend a minimum amount with us.

Our transactional clients, which accounted for approximately 57% and 58% of our revenue in 2008 and 2009, respectively, use our services on a shipment-by-shipment basis rather than under long-term contracts. These clients have no obligation to continue using our services and may stop using them at any time without penalty or with only limited penalties. Our contracts with enterprise clients typically have terms of one to three years and are subject to termination provisions negotiated on a contract-by-contract basis. These termination provisions typically provide the client with the ability to terminate upon 30 or 60 days' advance written notice in the event of a material breach. Included as a material

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breach is the Company's failure to provide the negotiated level of cost savings. In some cases, the enterprise contracts may be terminated by providing written notice within 60 days of execution or may be terminated upon 60 to 90 days' advanced written notice for any reason. Enterprise contracts accounting for 10.0% and 14.4% of our revenue in 2009 are scheduled to expire (subject to possible renewal) in 2010 and 2011, respectively.

The volume and type of services we provide each client may vary from year to year and could be reduced if the client were to change its outsourcing or shipping strategy. Our enterprise clients generally are not obligated to spend any particular amount with us, although our enterprise contracts are typically exclusive with respect to point of origin or one or more modes of transportation, meaning that the client is obligated to use us if it ships from the point of origin or uses those modes. These contractual exclusivity provisions help ensure, but do not guarantee, that we receive a significant portion of the amount that our enterprise clients spend on transportation in the applicable mode or modes or from the applicable point of origin. In our experience, compliance with such provisions varies from client to client and over time. Failure to comply with these exclusivity provisions may adversely affect our revenue.

If a significant number of our transactional or enterprise clients elect to terminate or not to renew their engagements with us, or if the volume of their shipping orders decreases, our business, operating results and financial condition could suffer. If we are unable to renew our enterprise contracts at favorable rates, our revenue may decline.

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

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

The current economic conditions of the global and domestic economy, or a substantial or prolonged downturn in our clients' business cycle, may have a material adverse affect on our business, results of operations and financial condition.

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

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

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to timely and appropriately adapt to changes resulting from the difficult economic environment, our business, results of operations and financial condition may be materially and adversely affected.

High fuel prices may increase carrier prices and volatility in fuel prices may make it more difficult to pass through this cost to our clients, which may impair our operating results.

Fuel prices recently reached historically high levels in the past couple years and continue to be volatile and difficult to predict. In the event fuel prices rise, carriers can be expected to charge higher prices to cover higher operating expenses, and our gross profits and income from operations may decrease if we are unable to continue to pass through to our clients the full amount of these higher costs. Higher fuel costs could also cause material shifts in the percentage of our revenue by transportation mode, as our clients may elect to utilize alternative transportation modes, such as inter-modal. In addition, increased volatility in fuel prices may affect our gross profits and income from operations if we are not able to pass through to our clients any higher costs associated with such volatility. Any material shifts to transportation modes with respect to which we realize lower gross profit margins could impair our operating results.

A decrease in levels of excess capacity in the U.S. transportation services industry could have an adverse impact on our business.

We believe that, historically, the U.S. transportation services industry has experienced significant levels of excess capacity. Our business seeks to capitalize on imbalances between supply and demand in the transportation services industry by obtaining favorable pricing terms from carriers in our network through a competitive bid process. Reduced excess capacity in the transportation services industry generally, and in our carrier network specifically, could have an adverse impact on our ability to execute our business strategy and on our business results and growth prospects.

A decrease in the number of carriers participating in our network could adversely affect our business.

We use our proprietary technology platform to compile freight and logistics data from our network of over 24,000 carriers. In 2009, we used approximately 6,200 TL carriers, 100 LTL carriers, 16 small parcel carriers, 57 inter-modal carriers, 12 domestic air carriers and 80 international carriers. We expect to continue to rely on these carriers to fulfill our shipping orders in the future. However, these carriers are not contractually required to continue to accept orders from us. If shipping capacity at a significant number of these carriers becomes unavailable, we will be required to use fewer carriers, which could significantly limit our ability to serve our clients on competitive terms. The transportation industry has also experienced consolidation among carriers in recent years and further consolidations could result in a decrease in the number of carriers, which may impact our ability to serve our clients on competitive terms. In addition, we rely on price bids provided by our carriers to populate our database. If the number of our carriers decreases significantly, we may not be able to obtain sufficient pricing information for ETM, which could affect our ability to obtain favorable pricing for our clients.

Our obligation to pay our carriers is not contingent upon receipt of payment from our clients, and we extend credit to certain clients as part of our business model.

In most cases, we take full risk of credit loss for the transportation services we procure from carriers. Our obligation to pay our carriers is not contingent upon receipt of payment from our clients. In 2008 and 2009, our revenue was $202.8 million and $259.6 million, respectively, and our top 10 clients accounted for 35% and 27% of our revenue, respectively. If any of our key clients fail to pay for our services, our profitability would be negatively impacted.

We extend credit to certain clients in the ordinary course of business as part of our business model. By extending credit, we increase our exposure to uncollected receivables. The current economic conditions of the global and domestic economy have resulted in an increasing trend of business failures, downsizing and delinquencies, which may cause an increase in our credit risk. If we fail to monitor and manage effectively any increased credit risk, our immediate and long-term liquidity may be adversely affected. In addition, if one of our key clients defaults in paying us, our profitability would be negatively impacted.

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

The success of our business depends upon our ability to deliver time-sensitive, up-to-date data and information. We rely on our Internet access, computer equipment, software applications, database storage facilities and other office equipment, which are mainly located in our Chicago headquarters. Our operations and those of our carriers and clients are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist attacks, wars, computer viruses, hacker attacks, equipment failure, physical break-ins and other events beyond our control, including disasters affecting Chicago. We attempt to mitigate these risks through various means, including system backup and security measures, but our precautions will not protect against all potential problems. We maintain fully redundant off-site backup facilities for our internet access, computer equipment, software applications, database storage and network equipment, but these facilities could be subject to the same interruptions that could affect our headquarters. If we suffer a database or network facility outage, our business could experience disruption, and we could suffer reduced revenue and the loss of clients.

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

Our ability to deliver our services depends upon the capacity, reliability and security of services provided to us by our telecommunication service providers, our electronic delivery systems and the Internet. We have no control over the operation, quality or maintenance of these services or whether the vendors will improve their services or continue to provide services that are essential to our business. In addition, our telecommunication service providers may increase their prices at which they provide services, which would increase our costs. If our telecommunication service providers were to cease to provide essential services or to significantly increase their prices, we could be required to find alternative vendors for these services. With a limited number of vendors, we could experience significant delays in obtaining new or replacement services, which could significantly harm our reputation and could cause us to lose clients and revenue. Moreover, our ability to deliver information using the Internet may be impaired because of infrastructure failures, service outages at third-party Internet providers or increased government regulation. If disruptions, failures or slowdowns of our electronic delivery systems or the Internet occur, our ability to effectively provide technology enabled transportation and supply chain management services and to serve our clients may be impaired.

We are subject to claims arising from our transportation operations.

We use the services of thousands of transportation companies and their drivers in connection with our transportation operations. From time to time, these drivers are involved in accidents or goods carried by these drivers are lost or damaged and the carriers may not have adequate insurance coverage. Although these drivers are not our employees and all of these drivers are employees or independent contractors working for carriers or are owner-operators, from time to time, claims may be asserted against us for their actions, or for our actions in retaining them. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. If a shipment is lost or damaged during the delivery process, a client may file a claim for the damaged shipment with us and we will bear the risk of recovering the claim amount from the carrier. If we are unable to recover all or any portion of the claim amount from the carrier, and to the extent each claim exceeds the amount which may be recovered from the Company's own insurance, we may bear the financial loss. A material increase in the frequency or severity of accidents, claims for lost or damaged goods, liability claims or workers' compensation claims, or unfavorable resolutions of claims, could materially adversely affect our operating results. Significant increases in insurance costs or the inability to purchase insurance as a result of these claims could also reduce our profitability.

Our industry is subject to seasonal sales fluctuations. If our business experiences seasonality, it could have an adverse effect on our operating results and financial condition.

Our industry is subject to some degree of seasonal sales fluctuations as shipments generally are lower during and after the winter holiday season because many of our retail clients ship goods and stock inventories prior to the winter holiday season. If we were to experience lower-than-expected revenue during any such period, whether from a general decline in economic conditions or other factors beyond our control, our expenses may not be offset, which would have a disproportionately adverse impact on our operating results and financial condition for that period.

Our limited operating history makes it difficult to evaluate our business, prospects and future financial performance.

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

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

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

We may not be able to identify suitable acquisition candidates, effectively integrate newly acquired businesses or achieve expected profitability from acquisitions.

Part of our growth strategy is to increase our revenue and the market regions that we serve through the acquisition of complementary businesses. There can be no assurance that suitable candidates for acquisitions can be identified or, if suitable candidates are identified, that acquisitions can be completed on acceptable terms, if at all. Even if suitable candidates are identified, any future acquisitions may entail a number of risks that could adversely affect our business and the market price of our common stock, including the integration of the acquired operations, diversion of management's attention, risks of entering new market regions in which we have limited experience, adverse short-term effects on our reported operating results, the potential loss of key employees of acquired businesses and risks associated with unanticipated liabilities.

We may use our common stock to pay for acquisitions. If the owners of potential acquisition candidates are not willing to receive our common stock in exchange for their businesses, our acquisition prospects could be limited. Future acquisitions could also result in accounting charges, potentially dilutive issuances of equity securities and increased debt and contingent liabilities, including liabilities related to unknown or undisclosed circumstances, any of which could have a material adverse effect on our business and the market price of our common stock.

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

We provide transportation services within and between continents on an increasing basis. In 2008 and 2009, international transportation accounted for 4% and 3% of revenue, respectively. We intend to continue expanding our global footprint, specifically in international-air and ocean modes, in order to maintain an appropriate cost structure and meet our clients' delivery needs. This may involve expanding into countries other than those in which we currently operate. Our business outside of the United States is subject to various risks, including:

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

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

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

If we are unable to manage the risks and challenges associated with our operations in India, the growth of our business could be impacted.

In 2005, we expanded our business operations to include facilities in Kolkata and Pune, India. These facilities, which provide customer support and administrative services, accounted for approximately 8% of our workforce as of December 31, 2009. We are subject to a number of risks and challenges that specifically relate to our operations in India, including the following:

- wages in India are increasing at a faster rate than in the North America, which may result in increased costs for our Indian workforce;
- the exchange rate between the Indian rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. An appreciation of the Indian rupee against the U.S. dollar or a fluctuation in interest rates in India may have an adverse effect on our cost of revenue, gross profit margin and net income, which may in turn have a

negative impact on our business, operating results and financial condition; and

we do not currently employ our Indian workforce directly but rather contract with an independent third-party to provide and train workers through our build, operate, transfer (BOT) arrangements. Although additional hiring may be necessary, we are able to provide all of the services performed by our Indian workforce through our domestic operations. In addition, we

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believe that we could replace our BOT arrangement over time with other arrangements in India or in another low cost foreign labor market. However, a significant failure by our independent contractor to provide and train Indian workers under our existing BOT arrangement could result in increased costs and disruptions or delays in the provision of our services and could distract our management from operating and growing our business.

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

From time to time, we arrange for the movement of hazardous materials at the request of our clients. As a result, we are subject to various environmental laws and regulations relating to the handling, transport and disposal of hazardous materials. If our clients or carriers are involved in a spill or other accident involving hazardous materials, or if we are found to be in violation of applicable laws or regulations, we could be subject to substantial fines or penalties, response or remediation costs, and civil and criminal liability, any of which could have an adverse effect on our business and results of operations. In addition, current and future national laws and multilateral agreements relating to carbon emissions and the effects of global warming can be expected to have a significant impact on the transportation sector generally and the operations and profitability of some of our carriers in particular, which could adversely affect our business and results of operations.

Our business depends on compliance with many government regulations.

International and domestic transportation of goods is subject to a number of governmental regulations, including licensing and financial security requirements, import and export regulations, security requirements, packaging regulations and notification requirements. These regulations and requirements are subject to change based on new legislation and regulatory initiatives, which could affect the economics of the transportation industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services.

We are licensed by the U.S. Department of Transportation as a broker authorized to arrange for the transportation of general commodities by motor vehicle. We must comply with certain insurance and surety bond requirements to act in this capacity. Prior to the completion of this offering, we expect to obtain an ocean transportation intermediary license from the Federal Maritime Commission to act as an ocean freight forwarder and as a non-vessel operating common carrier. The application for our ocean transportation intermediary license has been submitted, and we expect to be issued the license upon the completion of certain compliance requirements.

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

We may experience an increase in operating costs, such as security costs, as a result of governmental regulations that have been and will be adopted in response to terrorist activities and potential terrorist activities. No assurances can be given that we will be able to pass these increased costs on to our clients in the form of rate increases or surcharges.

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

Our future success may depend to a significant extent on the continued services of Douglas R. Waggoner, our Chief Executive Officer; David B. Menzel, our Chief Financial Officer; and Samuel K.

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Skinner, our non-executive Chairman. The loss of the services of any of these or other individuals could adversely affect our business, operating results and financial condition and could divert other senior management time in searching for their replacements.

Our management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

The individuals who now constitute our management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition into a public company that will be subject to significant regulatory oversight and reporting obligations under federal securities laws. In particular, these new obligations will require substantial attention from our senior management and divert their attention away from the day-to-day management of our business, which could materially and adversely impact our business operations.

We will incur increased costs as a result of being a public company.

We will face increased legal, accounting, administrative and other costs and expenses as a public company that we do not incur as a private company. The Sarbanes-Oxley Act of 2002, including the requirements of Section 404, as well as new rules and regulations subsequently implemented by the Securities and Exchange Commission (the SEC), the Public Company Accounting Oversight Board and The Nasdaq Global Market, imposes additional reporting and other obligations on public companies. We expect that compliance with these public company requirements will increase our costs and make some activities more time-consuming. A number of those requirements will require us to carry out activities we have not done previously. For example, we will create new board committees and adopt new internal controls and disclosure controls and procedures. In addition, we will incur additional expenses associated with our SEC reporting requirements. For example, under Section 404 of the Sarbanes-Oxley Act, for our annual report on Form 10-K for our fiscal year ending December 31, 2010, we will need to document and test our internal control procedures, our management will need to assess and report on the effectiveness of on our internal control over financial reporting and our independent accountants will need to issue an opinion on the effectiveness of those controls. Furthermore, if we identify any issues in complying with those requirements (for example, if we or our accountants identified a material weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. We also expect that it will be difficult and expensive to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. Advocacy efforts by stockholders and third-parties may also prompt even more changes in governance and reporting requirements. We expect that the additional reporting and other obligations imposed on us by these rules and regulations will increase our legal and financial compliance costs and the costs of our related legal, accounting and administrative activities by approximately $1.4 million per year. These increased costs will require us to divert a significant amount of money that we could otherwise use to expand our business and achieve our strategic objectives.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

We may in the future be required to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. Additional equity financing may dilute the interests of our common stockholders, and debt financing, if available, may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

Risks Related to Ownership of Our Common Stock

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

The trading prices of many newly publicly-traded companies are highly volatile. Since our initial public offering in October 2009 through March 16, 2010, the closing sale price of our common stock as reported by the Nasdaq Global Market has ranged from a low of $10.31 on February 10, 2010 to a high of $15.18 on November 11, 2009.

Certain factors may continue to cause the market price of our common stock to fluctuate, including:

- fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in market valuations of similar companies;
- success of competitive products or services;
- changes in our capital structure, such as future issuances of debt or equity securities;
- announcements by us, our competitors, our clients or our suppliers of significant products or services, contracts, acquisitions or strategic alliances;
- regulatory developments in the United States or foreign countries;
- litigation involving our company, our general industry or both;
- additions or departures of key personnel;
- investors' general perception of us; and
- changes in general economic, industry and market conditions.

In addition, as a result of the current economic crisis, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. The current economic environment has negatively affected demand for our services. If any of the foregoing occurs, it could cause our stock price to fall.

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

Eric P. Lefkofsky, Richard A. Heise, Jr., Bradley A. Keywell, affiliates of the Nazarian family and affiliates of New Enterprise Associates, directly or indirectly, beneficially own and have the ability to exercise voting control over, in the aggregate, 61% of our outstanding common stock. As a result, these stockholders are able to exercise significant control over all matters requiring stockholder approval, including the election of directors, any amendments to our certificate of incorporation and significant corporate transactions. These stockholders may exercise this control even if they are opposed by our other stockholders. Without the consent of these stockholders, we could be delayed or prevented from entering into transactions (including the acquisition of our company by third-parties) that may be viewed as beneficial to us or our other stockholders. In addition, this significant concentration of stock ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with controlling stockholders.

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Our quarterly results are difficult to predict and may vary from quarter to quarter, which may result in our failure to meet the expectations of investors and increased volatility of our stock price.

The continued use of our services by our clients depends, in part, on the business activity of our clients and our ability to meet their cost saving needs, as well as their own changing business conditions. In addition, a significant percentage of our revenue is subject to the discretion of our transactional clients, who may stop using our services at any time, and the transportation industry in which we operate is subject to some degree of seasonal sales fluctuations as shipments generally are lower during and after the winter holiday season because many of our retail clients ship goods and stock inventories prior to the winter holiday season. Therefore, the number, size and profitability of shipments may vary significantly from quarter to quarter. As a result, our quarterly operating results are difficult to predict and may fall below the expectations of current or potential investors in some future quarters, which could lead to a significant decline in the market price of our stock and volatility in our stock price.

If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock relies in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our stock could decline if one or more equity analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

We do not currently intend to pay dividends, which may limit the return on your investment in us.

We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

If our board of directors authorizes the issuance of preferred stock, holders of our common stock could be diluted and harmed.

Our board of directors has the authority to issue up to 2,500,000 shares of preferred stock in one or more series and to establish the preferred stock's voting powers, preferences and other rights and qualifications without any further vote or action by the stockholders. The issuance of preferred stock could adversely affect the voting power and dividend liquidation rights of the holders of common stock. In addition, the issuance of preferred stock could have the effect of making it more difficult for a third-party to acquire, or discouraging a third-party from acquiring, a majority of our outstanding voting stock or otherwise adversely affect the market price of our common stock. It is possible that we may need, or find it advantageous, to raise capital through the sale of preferred stock in the future.

Item 1B. ***Unresolved staff comments***

None.

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Item 2. ***Properties***

Our principal executive offices are located in Chicago, Illinois. We also maintain sales offices in Los Angeles, California, Vancouver, Washington, Park City, Utah, Troy, Michigan, Little Rock, Arkansas, Buffalo, Minnesota and Matteson, Illinois. We believe that our facilities are generally suitable to meet our needs for the foreseeable future; however, we will continue to seek additional space as needed to satisfy our growth. We conduct our business from the properties listed below, all of which are leased. The terms and leases vary and have expiration dates ranging from October 31, 2011 to December 1, 2015. As of December 31, 2009, we conducted our business from the following properties:

Location	Use
Chicago, Illinois	Corporate Headquarters
Matteson, Illinois	Business Development
Los Angeles, California	Business Development
Vancouver, Washington	Business Development
Park City, Utah	Business Development
Troy, Michigan	Business Development
Little Rock, Arkansas	Business Development
Buffalo, Minnesota	Business Development

Item 3. ***Legal Proceedings***

We are not party to any legal proceedings that we believe would have a material adverse effect on our business, financial condition or operating results.

Item 4. ***Reserved***

Part II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

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

2009	**High**	**Low**
Fourth Quarter (from October 2, 2009)	$ 15.18	$ 12.05

2010	**High**	**Low**
First Quarter (through March 16, 2010)	$ 13.66	$ 10.31

Holders

As of March 8, 2010, there were 48 holders of record of our common stock. The holders of our common stock are entitled to one vote per share.

Dividends

We currently do not intend to pay any dividends on our common stock. We intend to retain all available funds and any future earnings for use in the operation and the expansion of our business. Any determination in the future to pay dividends will depend on our financial condition, capital requirements, operating results and other factors deemed relevant by our board of directors, including any contractual or statutory restrictions on our ability to pay dividends.

Recent Sales of Unregistered Securities

None.

Use of Proceeds from Registered Securities

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

After deducting underwriting discounts and commissions and offering related expenses, our net proceeds from the initial public offering were approximately $68.6 million. In connection with the offering, we paid underwriting discounts and commissions of approximately $5.6 million and paid approximately $5.6 million in offering expenses.

We used a portion of these net proceeds to repay all outstanding principal and accrued interest under our line of credit with JPMorgan Chase Bank, N.A., which bears interest at a rate of either the prime rate or LIBOR plus 2.25% and matured on July 31, 2010 (approximately $14.0 million), and approximately $6.9 million of our net proceeds from the offering to repay all outstanding principal and accrued interest under our term loan payable to EGL Mezzanine LLC, which bore interest at a rate of 13.0% and was set to mature on June 2, 2012, members of which included certain of our directors,

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officers and stockholders, and which we incurred in connection with our acquisition of RayTrans Distribution Services. In addition to the foregoing purposes, we used approximately $3.5 million of the net proceeds to make required accrued dividend payments to the holders of our Series B and D preferred shares, which holders include certain of our director or entities owned or controlled by them. We plan to invest the remaining proceeds to further expand our sales force, continue to acquire or make strategic investments in complementary businesses and for working capital and other general corporate purposes.

Issuer Purchases of Equity Securities

None.

Item 6. ***Selected Consolidated Financial Data***

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

	Years ended December 31,				
	2005	**2006**	**2007**	**2008**	**2009**
	(dollars and shares in thousands, except per share data)				
Consolidated statements of operations data:					
Revenue	$ 7,322	$ 33,195	$ 95,461	$ 202,807	$ 259,561
Transportation costs	6,152	27,704	75,535	159,717	203,893
Gross profit	1,170	5,491	19,926	43,090	55,668
Operating expenses:					
Commissions	156	866	4,433	11,799	15,816
General and administrative	1,472	4,387	12,037	23,115	29,001
Depreciation and amortization	67	691	1,845	3,231	4,991
Total operating expenses	1,695	5,944	18,315	38,145	49,808
Income (loss) from continuing operations	(525)	(453)	1,611	4,945	5,860
Other income (expense)	12	201	191	(144)	(1,275)
Income (loss) before income taxes and discontinued operations	(513)	(252)	1,802	4,801	4,585
Income tax benefit (expense)		220	(749)	(1,926)	611
Income (loss) before discontinued operations	(513)	(32)	1,053	2,875	5,196
Loss from discontinued operations		(214)			
Net income (loss)	(513)	(246)	1,053	2,875	5,196
Dividends on preferred shares	(154)	(749)	(1,054)	(1,054)	(807)
Net income (loss) applicable to common stockholders	$ (667)	$ (995)	$ (1)	$ 1,821	$ 4,389
Net income (loss) per share of common stock:					
Basic	$ (0.06)	$ (0.09)	$	$ 0.15	$ 0.30

Diluted	$ (0.06)	$ (0.09)	$	$ 0.14	$ 0.29
Shares used in per share calculations:					
Basic	10,774	11,194	11,713	12,173	14,703
Diluted	10,774	11,194			
Ship Shoal 263 (Nautilus)	100.00%	80.0%	Producing		
West Delta 36 (produced via REX)	25.0%	20.0%	Producing		

Leases. The following table sets forth the working interests owned by Contango and related entities in non-developed leases in the Gulf of Mexico as of October 31, 2010.

Area/Block	**WI**	**Lease Date**	**Expiration Date**
Contango Operators, Inc.:			
Ship Shoal 14	50.00%	May-06	May-11
Viosca Knoll 383	(2)	Jun-06	Jun-11
S-L 19261	53.21%	Feb-07	Feb-12
S-L 19396	53.21%	Jun-07	Jun-12
Eugene Island 11	53.21%	Dec-07	Dec-12
East Breaks 369 (1)	(3)	Dec-03	Dec-13
East Breaks 370	65.63%	Dec-03	Dec-13
Galveston Area 248L	100.00%	Oct-09	Oct-14
Galveston Area 276L	100.00%	Oct-09	Oct-14
Galveston Area 277L (N/2 of NE/4)	100.00%	Oct-09	Oct-14
Galveston Area 277L (S/2 of NE/4)	100.00%	Oct-09	Oct-14
Galveston Area 338S	100.00%	Oct-09	Oct-14
Matagorda Island 607	100.00%	Nov-09	Nov-14
Matagorda Island 616	100.00%	Nov-09	Nov-14
Matagorda Island 617 (1)	100.00%	Nov-09	Nov-14
Ship Shoal 121	100.00%	Jul-10	Jul-15
Ship Shoal 122	100.00%	Jul-10	Jul-15
Vermillion 170	100.00%	Jul-10	Jul-15
East Breaks 366	65.63%	Nov-05	Nov-15
East Breaks 410	65.63%	Nov-05	Nov-15
Republic Exploration LLC			
Ship Shoal 14	50.00%	May-06	May-11
East Cameron 210	100.00%	Jun-09	Jun-14
South Timbalier 97	100.00%	Jun-09	Jun-14

(1) Dry Hole
(2) Farm out. COI retains a 1.75% ORRI
(3) Farm out. COI retains a 2.41% ORRI

Onshore Exploration and Properties

Conterra Company

Effective October 1, 2009, the Company s wholly-owned subsidiary, Conterra Company (Conterra), entered into a joint venture with Patara Oil & Gas LLC (Patara), a privately held oil and gas company, to develop proved undeveloped Cotton Valley gas reserves in Panola County, Texas. B.A. Berilgen, a member of the Company s board of directors, is the Chief Executive Officer of Patara.

Under the terms of the first joint venture agreement (Conterra No. 1 or the Conterra No. 1 Joint Venture Agreement), Conterra will fund 100% of the drilling and completion costs in exchange for 90% of the net revenues. The Conterra No. 1 Joint Venture Agreement contemplates drilling up to 15 wells, at an estimated 8/8ths cost of approximately $1.65 million per well. The average 8/8ths reserves per well are expected to be approximately 1.5 Bcfe (1.125 net Bcfe after a 25% royalty). In July 2010, both Conterra and Patara agreed to enter into a second joint venture agreement (Conterra No. 2 or the Conterra No. 2 Joint Venture Agreement) to drill up to an additional 15 wells, bringing the total expected number of wells to 30.

By paying all of the drilling and completion costs, the Company will be able to benefit from the associated tax deductions. Upon the Company achieving a 15% per annum cash-on-cash rate of return on each basket of 15 wells, the Company s net revenue interest converts into a 5% overriding royalty interest.

As of October 31, 2010, Conterra No. 1 was producing at a rate of approximately 6.6 Mmcfed, net to Contango, from 13 wells with two additional wells logged and waiting to be fracture stimulated. As of October 31, 2010, Conterra No. 2 had drilled and logged one well which is waiting to be fracture stimulated, and was drilling ahead on its second well. As of September 30, 2010, we have invested approximately $27.7 million and $1.2 million in Conterra No. 1 and Conterra No. 2, respectively.

South Texas

In July 2010, the Company announced a discovery at its on-shore wildcat exploration well, (Rexer #1), in south Texas. The Company has a 100% working interest (72.5% net revenue interest) in this well before payout, and a 75% working interest (54.4% net revenue interest) after payout. Production began in October 2010 and as of October 31, 2010, was producing at a rate of approximately 3.0 Mmcfed, net to Contango. As of September 30, 2010, the Company had invested approximately $5.4 million to drill, complete and bring this well to production.

Contango Mining Company

Contango Mining Company (Contango Mining) was formed on October 15, 2009 as a Delaware corporation registered to do business in Alaska for the purpose of engaging in exploration in the State of Alaska for (i) gold and associated minerals and (ii) rare earth elements. Contango Mining is a wholly-owned subsidiary of the Company and holds leasehold interests in approximately 647,000 acres from the Tetlin Village Council, the council formed by the governing body for the Native Village of Tetlin, an Alaska Native Tribe (Tetlin Lease) and holds 12,000 acres in unpatented mining claims from the State of Alaska for the exploration of gold deposits and associated minerals (together with the Tetlin Lease, the Gold Properties). Contango Mining also holds interests in and to 3,520 acres in unpatented Federal mining claims and 97,280 acres in unpatented mining claims from the State of Alaska for the exploration of rare earth elements (the REE Properties , and together with the Gold Properties, the Properties). Contango Mining acquired a 50% interest in the Properties from JEX on October 15, 2009 in exchange for $1 million and a 1% overriding royalty interest under a joint exploration agreement. On September 15, 2010, Contango Mining acquired the remaining 50% interest in the Properties in exchange for increasing the overriding royalty interest in the Properties granted to JEX to 3%.

The Company anticipates that Contango ORE, Inc. (CORE), another wholly-owned subsidiary of the Company, will acquire all the assets and obligations of Contango Mining. We will distribute the common stock of

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CORE to Contango s stockholders of record as of October 15, 2010, promptly after the effective date of CORE s Form 10 (the Distribution) filed with the SEC, on the basis of one share of common stock for each ten shares of Contango s common stock then outstanding. No fractional shares will be issued, but a cash payment will be made to shareholders with less than ten shares based upon the value established for CORE immediately before the Distribution. Prior to the Distribution, the Company will contribute $3.5 million in cash to CORE pursuant to the terms of a contribution agreement between Contango and CORE.

The Company has obtained a valuation report from Avalon Development Corporation, a Fairbanks, Alaska-based mineral exploration consulting firm, of the value of the assets constituting the mineral properties to be owned or controlled by CORE. Based on that valuation report and the planned $3.5 million cash investment in CORE immediately before the distribution, the Company believes the value of the assets contributed to CORE and distributed to Company shareholders will be approximately $0.45 per share of Contango Oil & Gas Company. The Company anticipates that the shares of CORE will trade on the OTCBB after the Distribution.

Employees

The Company outsources its human resources function to Administaff Companies II, LP (Administaff) and all of the Company s employees are co-employees of Administaff. The Company has eight employees.

Application of Critical Accounting Policies and Management s Estimates

The discussion and analysis of the Company s financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The Company s significant accounting policies are described in Note 2 to the consolidated financial statements included in this Quarterly Report on Form 10-Q. We have identified below the policies that are of particular importance to the portrayal of our financial position and results of operations and which require the application of significant judgment by management. The Company analyzes its estimates, including those related to its natural gas and oil reserve estimates, on a periodic basis and bases its estimates on historical experience, independent third party reservoir engineers and various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the Company s consolidated financial statements:

Successful Efforts Method of Accounting. Our application of the successful efforts method of accounting for our natural gas and oil business activities requires judgments as to whether particular wells are developmental or exploratory, since exploratory costs and the costs related to exploratory wells that are determined to not have proved reserves must be expensed whereas developmental costs are capitalized. The results from a drilling operation can take considerable time to analyze, and the determination that commercial reserves have been discovered requires both judgment and application of industry experience. Wells may be completed that are assumed to be productive and actually deliver natural gas and oil in quantities insufficient to be economic, which may result in the abandonment of the wells at a later date. On occasion, wells are drilled which have targeted geologic structures that are both developmental and exploratory in nature, and in such instances an allocation of costs is required to properly account for the results. Delineation seismic costs incurred to select development locations within a productive natural gas and oil field are typically treated as development costs and capitalized, but often these seismic programs extend beyond the proved reserve areas and therefore management must estimate the portion of seismic costs to expense as exploratory. The evaluation of natural gas and oil leasehold acquisition costs included in unproved properties requires management s judgment to estimate the fair value of exploratory costs related to drilling activity in a given area. Drilling activities in an area by other companies may also effectively condemn leasehold positions.

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Reserve Estimates. While we are reasonably certain of recovering our reported reserves, the Company s estimates of natural gas and oil reserves are, by necessity, projections based on geologic and engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of natural gas and oil that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable natural gas and oil reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effect of regulations by governmental agencies, and assumptions governing natural gas and oil prices, operating costs, severance taxes, development costs and workover costs, all of which may in fact vary considerably from actual results. The future drilling costs associated with reserves assigned to proved undeveloped locations may ultimately increase to the extent that these reserves are later determined to be uneconomic. For these reasons, estimates of the economically recoverable quantities of expected natural gas and oil attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of the Company s natural gas and oil properties and/or the rate of depletion of such natural gas and oil properties. Actual production, revenues and expenditures with respect to the Company s reserves will likely vary from estimates, and such variances may be material. Holding all other factors constant, a reduction in the Company s proved reserve estimate at September 30, 2010 of 5%, 10% and 15% would affect depreciation, depletion and amortization expense by approximately $0.8 million, $1.7 million and $2.7 million, respectively.

Impairment of Natural Gas and Oil Properties. The Company reviews its proved natural gas and oil properties for impairment on an annual basis or whenever events and circumstances indicate a potential decline in the recoverability of their carrying value. The Company compares expected undiscounted future net cash flows on a cost center basis to the unamortized capitalized cost of the asset. If the future undiscounted net cash flows, based on the Company s estimate of future natural gas and oil prices and operating costs and anticipated production from proved reserves, are lower than the unamortized capitalized cost, then the capitalized cost is reduced to fair market value. The factors used to determine fair value include, but are not limited to, estimates of reserves, future commodity pricing, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the expected cash flows projected. Unproved properties are reviewed quarterly to determine if there has been impairment of the carrying value, with any such impairment charged to expense in the period. Given the complexities associated with natural gas and oil reserve estimates and the history of price volatility in the natural gas and oil markets, events may arise that will require the Company to record an impairment of its natural gas and oil properties and there can be no assurance that such impairments will not be required in the future nor that they will not be material.

Income Taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently payable plus deferred income taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred income taxes are measured by applying currently enacted tax rates to the differences between financial statements and income tax reporting. Numerous judgments and assumptions are inherent in the determination of deferred income tax assets and liabilities as well as income taxes payable in the current period. We are subject to taxation in several jurisdictions, and the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions.

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MD&A Summary Data

The table below sets forth revenue, expense and production data for the three months ended September 30, 2010 and 2009.

	Three Months Ended September 30, 2010	2009 ($000)	Change
Revenues:			
Natural gas, oil and NGL sales	$ 55,084	$ 35,602	55%
Total revenues	$ 55,084	$ 35,602	55%
Production:			
Natural gas (million cubic feet)	7,040	5,976	18%
Oil and condensate (thousand barrels)	196	150	31%
Natural gas liquids (thousand gallons)	8,395	5,967	41%
Total (million cubic feet equivalent)	9,415	7,728	22%
Natural gas (million cubic feet per day)	76.5	65.0	18%
Oil and condensate (thousand barrels per day)	2.1	1.6	31%
Natural gas liquids (thousand gallons per day)	91.3	64.9	41%
Total (million cubic feet equivalent per day)	102.1	83.9	22%
Average Sales Price:			
Natural gas (per thousand cubic feet)	$ 4.55	$ 3.40	34%
Oil and condensate (per barrel)	$ 76.56	$ 68.53	12%
Natural gas liquids (per gallon)	$ 0.96	$ 0.84	14%
Total (per thousand cubic feet equivalent)	$ 5.85	$ 4.61	27%
Operating expenses	$ 4,941	$ 3,456	43%
Exploration expenses	$ 1,378	$ 374	268%
Depreciation, depletion and amortization	$ 15,227	$ 8,957	70%
General and administrative expenses	$ 3,084	$ 1,439	114%
Interest expense	$ 63	$ 156	-60%
Interest income	$ 1	$ 147	-99%

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Natural Gas, Oil and Natural Gas Liquids (NGL) Sales. We reported revenues of approximately $55.1 million for the three months ended September 30, 2010, compared to revenues of approximately $35.6 million for the three months ended September 30, 2009. This increase in sales was principally attributable to an increase in natural gas, oil and NGL prices received for the three months ended September 30, 2010. Also contributing to the increase was natural gas and oil sales from our Ship Shoal 263 well which began producing in June 2010 and our Eloise South well which began producing in July 2010.

Average Sales Prices. For the three months ended September 30, 2010, the average price of natural gas was $4.55 per thousand cubic feet (Mcf) while the average price for oil and condensate was $76.56 per barrel and the average price for NGLs was $0.96 per gallon. For the three months ended September 30, 2009, the average price of natural gas was $3.40 per Mcf while the average price for oil and condensate was $68.53 per barrel and the average price for NGLs was $0.84 per gallon.

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Natural Gas, Oil and NGL Production. Our net natural gas production for the three months ended September 30, 2010 was approximately 76.5 Mmcfd, up from approximately 65.0 Mmcfd for the three months ended September 30, 2009. Net oil and condensate production for the comparable periods also increased from approximately 1,600 barrels per day to approximately 2,100 barrels per day, and our NGL production increased from approximately 64,900 gallons per day to approximately 91,300 gallons per day. This increase in natural gas, oil and NGL production was principally attributable to our Ship Shoal 263 well which began producing in June 2010 and our Eloise South well which began producing in July 2010.

Operating Expenses. Lease operating expenses (LOE) for the three months ended September 30, 2010 were approximately $4.9 million, which included approximately $1.2 million in Louisiana state severance taxes. Lease operating expenses for the three months ended September 30, 2009 were approximately $3.5 million, which included approximately $1.3 million of Louisiana state severance taxes. The increase in LOE was attributable to our Ship Shoal 263 well which began producing in June 2010 and our Eloise South well which began producing in July 2010.

Exploration Expense. We reported $1.4 million of exploration expense for the three months ended September 30, 2010. Of this amount, approximately $0.6 million related to our Conterra joint venture, $0.6 million related to Contango Mining Company, and the remaining $0.2 million related to various geological and geophysical activities, seismic data, and delay rentals. For the three months ended September 30, 2009, we reported $0.4 million of exploration expense, which were attributable to various geological and geophysical activities, seismic data, and delay rentals.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization for the three months ended September 30, 2010 was approximately $15.2 million. For the three months ended September 30, 2009, we recorded approximately $9.0 million of depreciation, depletion and amortization. The increase in depreciation, depletion and amortization was primarily attributable to increased production and an increase in reserves and finding costs as a result of our Ship Shoal 263 and Eloise South discoveries.

General and Administrative Expenses. General and administrative expenses for the three months ended September 30, 2010 and the three months ended September 30, 2009 were approximately $3.1 million and $1.4 million, respectively.

Major components of general and administrative expenses for the three months ended September 30, 2010 included approximately $0.2 million in State of Louisiana franchise taxes, $2.0 million in salaries and benefits, $0.6 million in accounting, tax, legal, engineering and other professional fees, $0.1 million in insurance costs, and $0.2 million related to the cost of expensing stock options and stock grant compensation.

Major components of general and administrative expenses for the three months ended September 30, 2009 included approximately $0.7 million in salaries and benefits, $0.2 million in accounting, tax, legal, engineering and other professional fees, $0.3 million in office administration expenses, $0.1 million in insurance costs, and $0.1 million related to the cost of expensing stock options and stock grant compensation.

Interest Expense. We reported interest expense of $63,014 for the three months ended September 30, 2010, compared to interest expense of $156,133 for the three months ended September 30, 2009. Interest expense is a combination of commitment fees paid under our credit facility, as well as a portion of COE s interest expense on the promissory note to the Company (the COE Note), as a result of our proportionate consolidation of COE. The decrease is attributable to eliminating the interest rate on the COE Note effective June 1, 2010.

Interest Income. We reported interest income of $350 for the three months ended September 30, 2010, compared to $147,230 of interest income reported for the three months ended September 30, 2009. Interest income is a combination of interest earned on our cash balances, as well as interest income earned on the COE Note. The decrease is attributable to eliminating the interest rate on the COE Note effective June 1, 2010.

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Production, Prices, Operating Expenses, and Other

	Three Months Ended September 30, 2010	2009
	(Dollar amounts in 000 s, except per Mcfe amounts)	
Production Data:		
Natural gas (million cubic feet)	7,040	5,976
Oil and condensate (thousand barrels)	196	150
Natural gas liquids (thousand gallons)	8,395	5,967
Total (million cubic feet equivalent)	9,415	7,728
Natural gas (million cubic feet per day)	76.5	65.0
Oil and condensate (thousand barrels per day)	2.1	1.6
Natural gas liquids (thousand gallons per day)	91.3	64.9
Total (million cubic feet equivalent per day)	102.1	83.9
Average Sales Price:		
Natural gas (per thousand cubic feet)	$ 4.55	$ 3.40
Oil and condensate (per barrel)	$ 76.56	$ 68.53
Natural gas liquids (per gallon)	$ 0.96	$ 0.84
Total (per thousand cubic feet equivalent)	$ 5.85	$ 4.61
Selected data per Mcfe:		
Lease operating expenses	$ 0.52	$ 0.45
General and administrative expenses	$ 0.27	$ 0.19
Depreciation, depletion and amortization of natural gas and oil properties	$ 1.61	$ 1.15

Capital Resources and Liquidity

Cash From Operating Activities. Cash flows from operating activities provided approximately $24.8 million in cash for the three months ended September 30, 2010 compared to $21.8 million for the same period in 2009. This increase in cash provided by operating activities was attributable to higher prices and increased natural gas, oil and NGL production attributable to our Ship Shoal 263 and Eloise South wells.

Cash From Investing Activities. Cash flows used in investing activities for the three months ended September 30, 2010 were approximately $12.6 million, compared to using $1.4 million in investing activities for the three months ended September 30, 2009. This increase was primarily attributable to increased capital expenditures for drilling exploration and developmental wells.

Cash From Financing Activities. Cash flows used in financing activities for the three months ended September 30, 2010 were approximately $0.9 million. During the three months ended September 30, 2010, the Company repurchased shares of its common stock pursuant to its share repurchase program and incurred debt issuance costs as a result of its new credit facility with Amegy Bank.

Capital Budget. For the remainder of fiscal year 2011, the Company has budgeted to invest approximately $87.3 million as follows:

We have budgeted to invest approximately $55.0 million to drill up to four wildcat exploration wells in the Gulf of Mexico, three of which are subject to permitting approval by the BOEMRE.

We have budgeted to invest approximately $15.0 million to drill and complete 9 additional onshore wells in Panola County, Texas under our joint venture with Patara Oil & Gas Company.

We have budgeted to invest approximately $3.5 million in CORE for our Alaskan mineral exploration project.

We have budgeted to invest approximately $7.5 million to purchase Ship Shoal 263 from an existing working interest owner (paid in October 2010).

We have budgeted to invest approximately $5.0 million to drill a second onshore well in south Texas (Rexer #2).

We have budgeted to invest approximately $1.3 million for final payments for the H-CMP Platform and Rexer #1 well.

Of the $87.3 million of capital expenditures planned for the remainder of this fiscal year, the Company has incurred expenses of approximately $5.0 million and accrued for this amount as a current liability in the Consolidated Balance Sheet as of September 30, 2010. Should the Company have exploration success with any of its offshore exploration wells, our capital expenditure budget will be increased by approximately $10 million for each successful well.

The Company often reviews acquisitions and prospects presented to us by third parties and may decide to invest in one or more of these opportunities. There can be no assurance that we will invest, or that any investment entered into will be successful. These potential investments are not part of our current capital budget and would require us to invest additional capital. Natural gas and oil prices continue to be volatile and our resources may be insufficient to fund any of these opportunities. As of October 31, 2010, we had approximately $61.0 million in cash and cash equivalents and no debt outstanding.

The Company views periodic reserve sales as an opportunity to capture value, reduce reserve and price risk, in addition to being a source of funds for potentially higher rate of return natural gas and oil exploration investments. We believe these periodic natural gas and oil property sales are an efficient strategy to meet our cash and liquidity needs by providing us with immediate cash, which would otherwise take years to realize through the production lives of the fields sold. We have in the past and expect in the future to continue to rely heavily on the sales of assets to generate cash to fund our exploration investments and operations.

These sales bring forward future revenues and cash flows, but our longer term liquidity could be impaired to the extent our exploration efforts are not successful in generating new discoveries, production, revenues and cash flows. Additionally, our longer term liquidity could be impaired due to the decrease in our inventory of producing properties that could be sold in future periods. Further, as a result of these property sales the Company s ability to collateralize bank borrowings is reduced which may increase our dependence on more expensive mezzanine debt and potential equity sales. The availability of such funds will depend upon prevailing market conditions and other factors over which we have no control, as well as our financial condition and results of operations.

Natural Gas and Oil Reserves

The following table presents our estimated net proved natural gas and oil reserves at September 30, 2010 and June 30, 2010, based on reserve reports generated by William M. Cobb & Associates, Inc. (Cobb) and Lonquist & Co. LLC (Lonquist). The Company believes that having independent and well respected third-party engineering firms prepare its reserve reports enhances the credibility of its reported reserve estimates.

Management is responsible for the reserve estimate disclosures in this filing, and meets regularly with our independent third-party engineers to review these reserve estimates. The qualifications of the technical person at each of these firms primarily responsible for overseeing his firm s preparation of the Company s reserve estimates are set forth below.

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William M. Cobb & Associates, Inc.

Over 30 years of practical experience in the estimation and evaluation of reserves

A registered professional engineer in the state of Texas

Bachelor of Science Degree in Petroleum Engineering

Member in good standing of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.

Lonquist & Co. LLC

Over 21 years of practical experience in the estimation and evaluation of reserves

A registered professional engineer in the state of Texas

Bachelor of Science Degree in Petroleum Engineering

Member in good standing of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.

Each of Cobb and Lonquist has informed us that the technical person primarily responsible for the reserve estimates meets or exceeds the education, training, and experience requirements set forth in the standards pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers and is proficient in the application of industry standard practices to engineering evaluations as well as the application of SEC and other industry definitions and guidelines.

We maintain adequate and effective internal controls over the underlying data upon which reserves estimates are based. The primary inputs to the reserve estimation process are comprised of technical information, financial data, ownership interests and production data. All field and reservoir technical information, which is communicated to our reservoir engineers quarterly, is confirmed when our third-party reservoir engineers hold technical meetings with geologists, operations and land personnel to discuss field performance and to validate future development plans. Current revenue and expense information is obtained from our accounting records, which are subject to external quarterly reviews, annual audits and our own set of internal controls over financial reporting. Internal controls over financial reporting are assessed for effectiveness annually using criteria set forth in Internal Controls Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. All data such as commodity prices, lease operating expenses, production taxes, field level commodity price differentials, ownership percentages, and well production data are updated in the reserve database by our third-party reservoir engineers and then analyzed by management to ensure that they have been entered accurately and that all updates are complete. Once the reserve database has been entirely updated with current information, and all relevant technical support material has been assembled, our independent engineering firms prepare their independent reserve estimates and final report.

	Proved Reserves as of	
	September 30, 2010	**June 30, 2010**
Natural Gas (MMcf)	238,541	246,011

Oil, Condensate and Natural Gas Liquids (MBbls)	10,615	11,336
Total proved reserves (Mmcfe)	302,231	314,027

While we are reasonably certain of recovering our calculated reserves, the process of estimating natural gas and oil reserves is complex. It requires various assumptions, including natural gas and oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Our third-party engineers must project production rates and timing of development expenditures, as well as analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. Actual future production, natural gas and oil prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable natural gas and oil reserves most likely will vary from estimates. Any significant variance could

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materially affect the estimated quantities and net present value of reserves. In addition, our third party engineers may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing natural gas and oil prices and other factors, many of which are beyond our control.

Share Repurchase Program

In September 2008, the Company s board of directors approved a $100 million share repurchase program. Under the program, all shares are purchased in the open market from time to time by the Company or through privately negotiated transactions. The purchases will be made subject to market conditions and certain volume, pricing and timing restrictions to minimize the impact of the purchases upon the market. Repurchased shares of common stock become authorized but unissued shares, and may be issued in the future for general corporate and other purposes. During July 2010, the Company repurchased 20,000 shares of our common stock at an average cost per share of $43.26. As of October 31, 2010, we had purchased 1,732,897 shares of our common stock at an average cost per share of $43.88, for a total expenditure of approximately $76.0 million, resulting in 15,664,666 shares of common stock outstanding and 15,970,000 fully diluted shares.

Credit Facility

On October 22, 2010, the Company completed the arrangement of a secured revolving credit agreement with Amegy Bank (the Credit Agreement) to replace the expiring credit agreement with BBVA Compass Bank. The Credit Agreement currently has a $40 million hydrocarbon borrowing base and will be available to fund the Company s offshore Gulf of Mexico exploration and development activities, as well as repurchase shares of common stock, pay dividends, and to fund working capital as needed. The Credit Agreement is secured by substantially all of the assets of the Company. Borrowings under the Credit Agreement bear interest at LIBOR plus 2.5%, subject to a LIBOR floor of 0.75%. The principal is due October 1, 2014, and may be prepaid at any time with no prepayment penalty. An arrangement fee of $300,000 was paid in connection with the facility and a commitment fee of 0.375% will be paid on unused borrowing capacity. The Credit Agreement contains customary covenants including limitations on additional indebtedness. As of October 31, 2010, the Company was in compliance with all covenants and had no amounts outstanding under the Credit Agreement.

Risk Factors

In addition to the other information set forth elsewhere in this Form 10-Q and in our annual report on Form 10-K, you should carefully consider the following factors when evaluating the Company. An investment in the Company is subject to risks inherent in our business. The trading price of the shares of the Company is affected by the performance of our business relative to, among other things, competition, market conditions and general economic and industry conditions. The value of an investment in the Company may decrease, resulting in a loss.

We have no ability to control the price of natural gas and oil. Natural gas and oil prices fluctuate widely, and a substantial or extended decline in natural gas and oil prices would adversely affect our revenues, profitability and growth and could have a material adverse effect on the business, the results of operations and financial condition of the Company.

Our revenues, profitability and future growth depend significantly on natural gas and crude oil prices. Prices received affect the amount of future cash flow available for capital expenditures and repayment of indebtedness and our ability to raise additional capital. We do not expect to hedge our production to protect against price decreases. Lower prices may also affect the amount of natural gas and oil that we can economically produce. Factors that can cause price fluctuations include:

Overall economic conditions.

The domestic and foreign supply of natural gas and oil.

The level of consumer product demand.

Adverse weather conditions and natural disasters.

The price and availability of competitive fuels such as LNG, heating oil and coal.

Political conditions in the Middle East and other natural gas and oil producing regions.

The level of LNG imports.

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Domestic and foreign governmental regulations.

Special taxes on production.

Access to pipelines and gas processing plants.

The loss of tax credits and deductions.

A substantial or extended decline in natural gas and oil prices could have a material adverse effect on our access to capital and the quantities of natural gas and oil that may be economically produced by us. A significant decrease in price levels for an extended period would negatively affect us.

We depend on the services of our Chairman and Chief Executive Officer, and implementation of our business plan could be seriously harmed if we lost his services.

We depend heavily on the services of Kenneth R. Peak, our chairman and chief executive officer. We do not have an employment agreement with Mr. Peak, and the proceeds from a $10.0 million key person life insurance policy on Mr. Peak may not be adequate to cover our losses in the event of Mr. Peak s death.

We are highly dependent on the technical services provided by JEX and could be seriously harmed if JEX terminated its services with us or became otherwise unavailable.

Because we employ no geoscientists or petroleum engineers, we are dependent upon JEX for the success of our natural gas and oil exploration projects and expect to remain so for the foreseeable future. We do not have a written agreement with JEX which contractually obligates JEX to provide us with its services in the future. Highly qualified explorationists and engineers are difficult to attract and retain. As a result, the loss of the services of JEX could have a material adverse effect on us and could prevent us from pursuing our business plan. Additionally, the loss by JEX of certain explorationists could have a material adverse effect on our operations as well.

Our ability to successfully execute our business plan is dependent on our ability to obtain adequate financing.

Our business plan, which includes participation in 3-D seismic shoots, lease acquisitions, the drilling of exploration prospects and producing property acquisitions, has required and is expected to continue to require substantial capital expenditures. We may require additional financing to fund our planned growth. Our ability to raise additional capital will depend on the results of our operations and the status of various capital and industry markets at the time we seek such capital. Accordingly, additional financing may not be available to us on acceptable terms, if at all. In the event additional capital resources are unavailable, we may be required to curtail our exploration and development activities or be forced to sell some of our assets in an untimely fashion or on less than favorable terms.

It is difficult to quantify the amount of financing we may need to fund our planned growth. The amount of funding we may need in the future depends on various factors such as:

Our financial condition.

The prevailing market price of natural gas and oil.

The type of projects in which we are engaging.

The lead time required to bring any discoveries to production.

We frequently obtain capital through the sale of our producing properties.

The Company, since its inception in September 1999, has raised approximately $484 million from various property sales. These sales bring forward future revenues and cash flows, but our longer term liquidity could be impaired to the extent our exploration efforts are not successful in generating new discoveries, production, revenues and cash flows. Additionally, our longer term liquidity could be impaired due to the decrease in our inventory of producing properties that could be sold in future periods. Further, as a result of these property sales the Company s ability to collateralize bank borrowings is reduced which increases our dependence on more expensive mezzanine debt and potential equity sales. The availability of such funds will depend upon prevailing market conditions and other factors over which we have no control, as well as our financial condition and results of operations.

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We assume additional risk as Operator in drilling high pressure and high temperature wells in the Gulf of Mexico.

COI, a wholly-owned subsidiary of the Company, was formed for the purpose of drilling and operating exploration wells in the Gulf of Mexico. Drilling activities are subject to numerous risks, including the significant risk that no commercially productive hydrocarbon reserves will be encountered. The cost of drilling, completing and operating wells and of installing production facilities and pipelines is often uncertain. Drilling costs could be significantly higher if we encounter difficulty in drilling offshore exploration wells. The Company s drilling operations may be curtailed, delayed, canceled or negatively impacted as a result of numerous factors, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery or availability of material, equipment and fabrication yards. In periods of increased drilling activity resulting from high commodity prices, demand exceeds availability for drilling rigs, drilling vessels, supply boats and personnel experienced in the oil and gas industry in general, and the offshore oil and gas industry in particular. This may lead to difficulty and delays in consistently obtaining certain services and equipment from vendors, obtaining drilling rigs and other equipment at favorable rates and scheduling equipment fabrication at factories and fabrication yards. This, in turn, may lead to projects being delayed or experiencing increased costs. The cost of drilling, completing, and operating wells is often uncertain, and new wells may not be productive or we may not recover all or any of our investment. The risk of significant cost overruns, curtailments, delays, inability to reach our target reservoir and other factors detrimental to drilling and completion operations may be higher due to our inexperience as an operator.

Additionally, we use turnkey contracts that may cost more than drilling contracts at daily rates. Under certain conditions, the turnkey contract can be terminated by the turnkey drilling contractor, which could lead to materially higher risks and costs for the Company.

We rely on third-party operators to operate and maintain some of our production pipelines and processing facilities and, as a result, we have limited control over the operations of such facilities. The interests of an operator may differ from our interests.

We depend upon the services of third-party operators to operate production platforms, pipelines, gas processing facilities and the infrastructure required to produce and market our natural gas, condensate and oil. We have limited influence over the conduct of operations by third-party operators. As a result, we have little control over how frequently and how long our production is shut-in when production problems, weather and other production shut-ins occur. Poor performance on the part of, or errors or accidents attributable to, the operator of a project in which we participate may have an adverse effect on our results of operations and financial condition. Also, the interest of an operator may differ from our interests.

Repeated production shut-ins can possibly damage our well bores.

Our well bores are required to be shut-in from time to time due to a variety of issues, including a combination of weather, mechanical problems, sand production, bottom sediment, water and paraffin associated with our condensate production at our Eugene Island 11 platform, as well as downstream third-party facility and pipeline shut-ins. In addition, shut-ins are necessary from time to time to upgrade and improve the production handling capacity at related downstream platform, gas processing and pipeline infrastructure. In addition to negatively impacting our near term revenues and cash flow, repeated production shut-ins may damage our well bores if repeated excessively or not executed properly. The loss of a well bore due to damage could require us to drill additional wells.

Concentrating our capital investment in the Gulf of Mexico increases our exposure to risk.

Our capital investments are focused in offshore Gulf of Mexico prospects. However, our exploration prospects in the Gulf of Mexico may not lead to significant revenues. Furthermore, we may not be able to drill productive wells at profitable finding and development costs.

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Natural gas and oil reserves are depleting assets and the failure to replace our reserves would adversely affect our production and cash flows.

Our future natural gas and oil production depends on our success in finding or acquiring new reserves. If we fail to replace reserves, our level of production and cash flows will be adversely impacted. Production from natural gas and oil properties decline as reserves are depleted, with the rate of decline depending on reservoir characteristics. Our total proved reserves will decline as reserves are produced unless we conduct other successful exploration and development activities or acquire properties containing proved reserves, or both. Further, the majority of our reserves are proved developed producing. Accordingly, we do not have significant opportunities to increase our production from our existing proved reserves. Our ability to make the necessary capital investment to maintain or expand our asset base of natural gas and oil reserves would be impaired to the extent cash flow from operations is reduced and external sources of capital become limited or unavailable. We may not be successful in exploring for, developing or acquiring additional reserves. If we are not successful, our future production and revenues will be adversely affected.

Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions could materially affect the quantities of our reserves.

There are numerous uncertainties in estimating crude oil and natural gas reserves and their value, including many factors that are beyond our control. It requires interpretations of available technical data and various assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities of reserves shown in this report.

In order to prepare these estimates, our independent third-party petroleum engineers must project production rates and timing of development expenditures as well as analyze available geological, geophysical, production and engineering data, and the extent, quality and reliability of this data can vary. The process also requires economic assumptions relating to matters such as natural gas and oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds.

Actual future production, natural gas and oil prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable natural gas and oil reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and pre-tax net present value of reserves shown in a reserve report. In addition, estimates of our proved reserves may be adjusted to reflect production history, results of exploration and development, prevailing natural gas and oil prices and other factors, many of which are beyond our control and may prove to be incorrect over time. As a result, our estimates may require substantial upward or downward revisions if subsequent drilling, testing and production reveal different results. Furthermore, some of the producing wells included in our reserve report have produced for a relatively short period of time. Accordingly, some of our reserve estimates are not based on a multi-year production decline curve and are calculated using a reservoir simulation model together with volumetric analysis. Any downward adjustment could indicate lower future production and thus adversely affect our financial condition, future prospects and market value.

The Company s reserves and revenues are primarily concentrated in one field.

The proved reserves assigned to our Dutch and Mary Rose discoveries have ten producing well bores concentrated in two reservoirs on one field, and are producing via two natural gas pipelines, two oil pipelines and two production platforms. Reserve assessments based on only ten well bores in two reservoirs with relatively limited production history are subject to significantly greater risk of downward revision than multiple well bores from a variety of mature producing reservoirs.

We rely on the accuracy of the estimates in the reservoir engineering reports provided to us by our outside engineers.

We have no in house reservoir engineering capability, and therefore rely on the accuracy of the periodic reservoir reports provided to us by our independent third-party reservoir engineers. If those reports prove to be inaccurate, our financial reports could have material misstatements. Further, we use the reports of our independent reservoir engineers in our financial planning. If the reports of the outside reservoir engineers prove to be inaccurate, we may make misjudgments in our financial planning.

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Exploration is a high risk activity, and our participation in drilling activities may not be successful.

Our future success largely depends on the success of our exploration drilling program. Participation in exploration drilling activities involves numerous risks, including the significant risk that no commercially productive natural gas or oil reservoirs will be discovered. The cost of drilling, completing and operating wells is uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

Unexpected drilling conditions.

Blowouts, fires or explosions with resultant injury, death or environmental damage.

Pressure, temperature or other irregularities in formations.

Equipment failures and/or accidents caused by human error.

Tropical storms, hurricanes and other adverse weather conditions.

Compliance with governmental requirements and laws, present and future.

Shortages or delays in the availability of drilling rigs and the delivery of equipment.

Our turnkey drilling contracts reverting to a day rate contract or our turnkey contractor electing to terminate the turnkey contract would significantly increase the cost and risk to the Company.

Problems at third-party operated platforms, pipelines and gas processing facilities over which we have no control.

Even when properly used and interpreted, 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators. They do not allow the interpreter to know conclusively if hydrocarbons are present or economically producible. Poor results from our drilling activities would materially and adversely affect our future cash flows and results of operations.

In addition, as a successful efforts company, we choose to account for unsuccessful exploration efforts (the drilling of dry holes) and seismic costs as a current expense of operations, which immediately impacts our earnings. Significant expensed exploration charges in any period would materially adversely affect our earnings for that period and cause our earnings to be volatile from period to period.

Production activities in the Gulf of Mexico increase our susceptibility to pollution and natural resource damage.

A blowout, rupture or spill of any magnitude would present serious operational and financial challenges. Most of the Company s operations are on the Gulf of Mexico shelf in water depths less than 200 feet and less than 50 miles from the coast. Such proximity to the shore-line increases the probability of a biological impact or damaging the fragile eco-system in the event of released condensate.

The natural gas and oil business involves many operating risks that can cause substantial losses.

The natural gas and oil business involves a variety of operating risks, including:

Blowouts, fires and explosions.

Surface cratering.

Uncontrollable flows of underground natural gas, oil or formation water.

Natural disasters.

Pipe and cement failures.

Casing collapses.

Stuck drilling and service tools.

Reservoir compaction.

Abnormal pressure formations.

Environmental hazards such as natural gas leaks, oil spills, pipeline ruptures or discharges of toxic gases.

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Capacity constraints, equipment malfunctions and other problems at third-party operated platforms, pipelines and gas processing plants over which we have no control.

Repeated shut-ins of our well bores could significantly damage our well bores.

Required workovers of existing wells that may not be successful.

If any of the above events occur, we could incur substantial losses as a result of:

Injury or loss of life.

Reservoir damage.

Severe damage to and destruction of property or equipment.

Pollution and other environmental damage.

Clean-up responsibilities.

Regulatory investigations and penalties.

Suspension of our operations or repairs necessary to resume operations.

Offshore operations are subject to a variety of operating risks peculiar to the marine environment, such as capsizing and collisions. In addition, offshore operations, and in some instances, operations along the Gulf Coast, are subject to damage or loss from hurricanes or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt production. As a result, we could incur substantial liabilities that could reduce the funds available for exploration, development or leasehold acquisitions, or result in loss of properties.

If we were to experience any of these problems, it could affect well bores, platforms, gathering systems and processing facilities, any one of which could adversely affect our ability to conduct operations. In accordance with customary industry practices, we maintain insurance against some, but not all, of these risks. Losses could occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. We may not be able to maintain adequate insurance in the future at rates we consider reasonable, and particular types of coverage may not be available. An event that is not fully covered by insurance could have a material adverse effect on our financial position and results of operations.

Not hedging our production may result in losses.

Due to the significant volatility in natural gas prices and the potential risk of significant hedging losses if our production should be shut-in during a period when NYMEX natural gas prices increase, our policy is to hedge only through the purchase of puts. By not hedging our production, we may be more adversely affected by declines in natural gas and oil prices than our competitors who engage in hedging arrangements.

Our ability to market our natural gas and oil may be impaired by capacity constraints and equipment malfunctions on the platforms, gathering systems, pipelines and gas plants that transport and process our natural gas and oil.

All of our natural gas and oil is transported through gathering systems, pipelines, processing plants, and offshore platforms. Transportation capacity on gathering system pipelines and platforms is occasionally limited and at times unavailable due to repairs or improvements being made to these facilities or due to capacity being utilized by other natural gas or oil shippers that may have priority transportation agreements. If the gathering systems, processing plants, platforms or our transportation capacity is materially restricted or is unavailable in the future, our ability to market our natural gas or oil could be impaired and cash flow from the affected properties could be reduced, which could have a material adverse effect on our financial condition and results of operations. Further, repeated shut-ins of our wells could result in damage to our well bores that would impair our ability to produce from these wells and could result in additional wells being required to produce our reserves.

We may not have title to our leased interests and if any lease is later rendered invalid, we may not be able to proceed with our exploration and development of the lease site.

Our practice in acquiring exploration leases or undivided interests in natural gas and oil leases is to not incur the expense of retaining title lawyers to examine the title to the mineral interest prior to executing the lease. Instead, we rely upon the judgment of JEX and others to perform the field work in examining records in the

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appropriate governmental, county or parish clerk s office before leasing a specific mineral interest. This practice is widely followed in the industry. Prior to the drilling of an exploration well the operator of the well will typically obtain a preliminary title review of the drillsite lease and/or spacing unit within which the proposed well is to be drilled to identify any obvious deficiencies in title to the well and, if there are deficiencies, to identify measures necessary to cure those defects to the extent reasonably possible. However, such deficiencies may not have been cured by the operator of such wells. It does happen, from time to time, that the examination made by title lawyers reveals that the lease or leases are invalid, having been purchased in error from a person who is not the rightful owner of the mineral interest desired. In these circumstances, we may not be able to proceed with our exploration and development of the lease site or may incur costs to remedy a defect. It may also happen, from time to time, that the operator may elect to proceed with a well despite defects to the title identified in the preliminary title opinion.

Competition in the natural gas and oil industry is intense, and we are smaller and have a more limited operating history than many of our competitors.

We compete with a broad range of natural gas and oil companies in our exploration and property acquisition activities. We also compete for the equipment and labor required to operate and to develop these properties. Many of our competitors have substantially greater financial resources than we do. These competitors may be able to pay more for exploratory prospects and productive natural gas and oil properties. Further, they may be able to evaluate, bid for and purchase a greater number of properties and prospects than we can. Our ability to explore for natural gas and oil and to acquire additional properties in the future depends on our ability to evaluate and select suitable properties and to consummate transactions in this highly competitive environment. In addition, many of our competitors have been operating for a much longer time than we have and have substantially larger staffs. We may not be able to compete effectively with these companies or in such a highly competitive environment.

We are subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to numerous laws and regulations governing the operation and maintenance of our facilities and the discharge of materials into the environment. Failure to comply with such rules and regulations could result in substantial penalties and have an adverse effect on us. These laws and regulations:

- Require that we obtain permits before commencing drilling.
- Restrict the substances that can be released into the environment in connection with drilling and production activities.
- Limit or prohibit drilling activities on protected areas, such as wetlands or wilderness areas.
- Require remedial measures to mitigate pollution from former operations, such as plugging abandoned wells.

Under these laws and regulations, we could be liable for personal injury and clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. We maintain only limited insurance coverage for sudden and accidental environmental damages. Accordingly, we may be subject to liability, or we may be required to cease production from properties in the event of environmental damages. These laws and regulations have been changed frequently in the past. In general, these changes have imposed more stringent requirements that increase operating costs or require capital expenditures in order to remain in compliance. It is also possible that unanticipated developments could cause us to make environmental expenditures that are significantly different from those we currently expect. Existing laws and regulations could be changed and any such changes could have an adverse effect on our business and results of operations.

Our operations in the Gulf of Mexico could be adversely affected by changes in laws and regulations which have occurred and are expected to continue to occur as a result of the Deepwater Horizon Incident.

In April 2010, the deepwater Gulf of Mexico drilling rig Deepwater Horizon was engaged in drilling operations for another operator and sank after an apparent blowout and fire. The accident resulted in the loss of life and a significant oil spill. As a result, the Department of the Interior issued a directive calling for additional safety and performance standards as well as rigorous monitoring and testing requirements. In addition, various Congressional committees have begun pursuing legislation to regulate drilling activities and increase liability for oil spills.

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We are monitoring legislative and regulatory developments; however, the full legislative and regulatory response to the incident is not yet known. An expansion of safety and performance regulations or an increase in liability for drilling activities may have one or more of the following impacts on our business:

- Increase the costs of drilling exploratory and development wells.
- Cause delays in, or preclude, the development of projects in the Gulf of Mexico
- Result in higher operating costs.
- Increase or remove liability caps for claims of damages from oil spills.
- Limit our ability to obtain additional insurance coverage on commercially reasonable terms to protect against any increase in liability.

Any of the above factors may result in a reduction of our cash flows, profitability, and the fair value of our properties.

We do not control the activities on properties we do not operate.

Other companies may from time to time drill, complete and operate properties in which we have an interest. As a result, we have a limited ability to exercise influence over operations for these properties or their associated costs. Our dependence on the operator and other working interest owners for these projects and our limited ability to influence operations and associated costs could materially adversely affect the realization of our targeted returns on capital in drilling or acquisition activities. The success and timing of our drilling and development activities on properties operated by others therefore depend upon a number of factors that are outside of our control, including:

- Timing and amount of capital expenditures.
- The operator s expertise and financial resources.
- Approval of other participants in drilling wells.
- Selection of technology.

We are highly dependent on our management team, JEX, exploration partners and third-party consultants and any failure to retain the services of such parties could adversely affect our ability to effectively manage our overall operations or successfully execute current or future business strategies.

The successful implementation of our business strategy and handling of other issues integral to the fulfillment of our business strategy is highly dependent on our management team, as well as certain key geoscientists, geologists, engineers and other professionals engaged by us. We are highly dependent on the services provided by JEX and we do not have any written agreements contractually obligating them to provide us with their services in the future. The loss of key members of our management team, JEX or other highly qualified technical professionals could adversely affect our ability to effectively manage our overall operations or successfully execute current or future business strategies which may have a material adverse effect on our business, financial condition and operating results.

Acquisition prospects are difficult to assess and may pose additional risks to our operations.

We expect to evaluate and, where appropriate, pursue acquisition opportunities on terms our management considers favorable. The successful acquisition of natural gas and oil properties requires an assessment of:

Recoverable reserves.

Exploration potential.

Future natural gas and oil prices.

Operating costs.

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Potential environmental and other liabilities and other factors.

Permitting and other environmental authorizations required for our operations.

In connection with such an assessment, we would expect to perform a review of the subject properties that we believe to be generally consistent with industry practices. Nonetheless, the resulting conclusions are necessarily inexact and their accuracy inherently uncertain and such an assessment may not reveal all existing or potential problems, nor will it necessarily permit a buyer to become sufficiently familiar with the properties to fully assess their merits and deficiencies. Inspections may not always be performed on every platform or well, and structural and environmental problems are not necessarily observable even when an inspection is undertaken.

Future acquisitions could pose additional risks to our operations and financial results, including:

Problems integrating the purchased operations, personnel or technologies.

Unanticipated costs.

Diversion of resources and management attention from our exploration business.

Entry into regions or markets in which we have limited or no prior experience.

Potential loss of key employees of the acquired organization.

The risks and challenges inherent in mineral exploration are quite different from our natural gas and oil exploration and we have no mineral expertise.

Our investment in Contango Mining does not represent a change in our natural gas and oil exploration business model. We recognize that the risks and challenges inherent in mineral exploration are quite different from our natural gas and oil exploration business. Our 2009 and early 2010 exploration programs found relatively few samples of commercial grade minerals but we believe our results merit continued exploration.

At this early exploration stage our investment should be considered speculative and the probability of ultimately being successful in finding gold or other minerals in a volume sufficient to support a commercial mining operation is remote. We have little or no experience in mining and mineral development and will be highly dependent upon the advice of consultants.

We have determined to distribute the Properties and related obligations, together with $3.5 million to our stockholders in a separate company following registration under a Form 10 filed with the SEC.

Anti-takeover provisions of our certificate of incorporation, bylaws and Delaware law could adversely effect a potential acquisition by third-parties that may ultimately be in the financial interests of our stockholders.

Our Certificate of Incorporation, Bylaws and the Delaware General Corporation Law contain provisions that may discourage unsolicited takeover proposals. These provisions could have the effect of inhibiting fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts, preventing changes in our management or limiting the price that investors may be willing to pay for shares of common stock.

The Company adopted a Stockholders Rights Plan in September 2008 that is designed to ensure that all stockholders of the Company receive fair value for their shares of common stock in a proposed takeover of the Company and to guard against coercive takeover tactics to gain control of the Company. In addition, these provisions, among other things, authorize the board of directors to:

Designate the terms of and issue new series of preferred stock.

Limit the personal liability of directors.

Limit the persons who may call special meetings of stockholders.

Prohibit stockholder action by written consent.

Establish advance notice requirements for nominations for election of the board of directors and for proposing matters to be acted on by stockholders at stockholder meetings.

Require us to indemnify directors and officers to the fullest extent permitted by applicable law.

Impose restrictions on business combinations with some interested parties.

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Our common stock is thinly traded.

Contango has approximately 15.7 million shares of common stock outstanding. Directors and officers own or have voting control over approximately 3.2 million shares. Since our common stock is not heavily traded, the purchase or sale of relatively small common stock positions may result in disproportionately large increases or decreases in the price of our common stock.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate and Credit Rating Risk. As of October 31, 2010, we had no long-term debt subject to the risk of loss associated with movements in interest rates.

As of September 30, 2010, we had approximately $63.7 million in cash and cash equivalents. Of this amount, approximately $26.7 million was invested in U.S. Treasury money market funds and the remaining $37.0 million was invested in overnight U.S. Treasury funds. Investments in fixed-rate, interest-earning instruments carry a degree of interest rate and credit rating risk. Fixed-rate securities may have their fair market value adversely impacted because of changes in interest rates and credit ratings. Additionally, the value of our investments may be impaired temporarily or permanently. Due in part to these factors, our investment income may decline and we may suffer losses in principal. Currently, we do not use any derivative or other financial instruments or derivative commodity instruments to hedge any market risks, including changes in interest rates or credit ratings, and we do not plan to employ these instruments in the future. Because of the nature of the issuers of the securities that we invest in, we do not believe that we have any cash flow exposure arising from changes in credit ratings. Based on a sensitivity analysis performed on the financial instruments held as of September 30, 2010, an immediate 10% change in interest rates is not expected to have a material effect on our near-term financial condition or results of operations.

Commodity Risk. Our major commodity price risk exposure is to the prices received for our natural gas and oil production. Realized commodity prices received for our production are the spot prices applicable to natural gas and crude oil. Prices received for natural gas and oil are volatile and unpredictable and are beyond our control. For the three months ended September 30, 2010, a 10% fluctuation in the prices received for natural gas and oil production would impact our revenues by approximately $5.5 million. It could also lead to impairment of our natural gas and oil properties.

Item 4. Controls and Procedures

Kenneth R. Peak, our Chairman and Chief Executive Officer, together with our Chief Financial Officer and Controller, carried out an evaluation of the effectiveness of the Company s disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of September 30, 2010. Based upon that evaluation, the Company s management concluded that, as of September 30, 2010, the Company s disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chairman and Chief Executive Officer, Chief Financial Officer, and Controller, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in the Company s internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1A. Risk Factors

The description of the risk factors associated with the Company set forth under the heading Risk Factors in Item 2 of Part I, Management s Discussion and Analysis of Financial Condition and Results of Operations, of this Form 10-Q is incorporated into this Item 1A by reference and supersedes the description of risk factors set forth under the heading Risk Factors in Item 1 of Part I of our annual report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities

The description of repurchases made by the Company set forth under the heading Share Repurchase Program in Item 2 of Part I, Management s Discussion and Analysis of Financial Condition and Results of Operations, of this Form 10-Q is incorporated into this Item 2 by reference.

Item 5. Other Information

On September 30, 2008, the Company adopted a Stockholder Rights Plan (the Plan) that is designed to ensure that all stockholders of Contango receive fair value for their shares of common stock in the event of any proposed takeover of Contango and to guard against the use of partial tender offers or other coercive tactics to gain control of Contango without offering fair value to all of Contango s stockholders. The Plan is not intended, nor will it operate, to prevent an acquisition of Contango on terms that are favorable and fair to all stockholders.

Under the terms of the Plan, each right (a Right) will entitle the holder to buy 1/100 of a share of Series F Junior Preferred Stock of Contango (the Preferred Stock) at an exercise price of $200 per share. The Rights will be exercisable and will trade separately from the shares of common stock only if a person or group acquires beneficial ownership of 20% or more of Contango s common stock or commences a tender or exchange offer that would result in such a person or group owning 20% or more of the common stock (the Triggering Event).

Under the terms of the Plan, Rights have been distributed as a dividend at the rate of one Right for each share of common stock held as of the close of business on October 1, 2008. Stockholders will not actually receive certificates for the Rights at this time, but the Rights will become part of each outstanding share of common stock. An additional Right will be issued along with each share of common stock that is issued or sold by Contango after October 1, 2008. The Rights may only be exercised during a three-year period and are scheduled to expire on September 30, 2011. Upon a Triggering Event, Contango stockholders will receive certificates for the Rights.

If any person actually acquires 20% or more of shares of common stock other than through a tender or exchange offer for all shares of common stock that provides a fair price and other acceptable terms for such shares, as determined by the board of directors of Contango or if a 20%-or-more stockholder engages in certain self-dealing transactions or engages in a merger or other business combination in which Contango survives and its shares of common stock remain outstanding, the other Contango stockholders will be able to exercise the Rights and buy shares of common stock of Contango having approximately twice the value of the exercise price of the Rights. Additionally, if Contango is involved in certain other mergers where its shares are exchanged or certain major sales of its assets occur, Contango stockholders will be able to purchase a certain number of the other party s common stock in an amount equal to approximately twice the value of the exercise price of the Rights.

Contango will be entitled to redeem the Rights at $0.01 per Right at any time until the earlier of (i) the tenth day following public announcement that a person has acquired a 20% ownership position in shares of common stock of Contango or (ii) the final expiration date of the Rights. Contango in its discretion may extend the period during which it may redeem the Rights.

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Item 6. Exhibits

(a) Exhibits:

The following is a list of exhibits filed as part of this Form 10-Q. Where so indicated by a footnote, exhibits, which were previously filed, are incorporated herein by reference.

Exhibit Number	Description
3.1	Certificate of Incorporation of Contango Oil & Gas Company. (1)
3.2	Bylaws of Contango Oil & Gas Company. (1)
3.3	Agreement of Plan of Merger of Contango Oil & Gas Company, a Delaware corporation, and Contango Oil & Gas Company, a Nevada corporation. (1)
3.4	Amendment to the Certificate of Incorporation of Contango Oil & Gas Company. (2)
4.1	Facsimile of common stock certificate of Contango Oil & Gas Company. (3)
10.1	Second Amended and Restated Credit Agreement dated as of October 1, 2010 among Contango Oil & Gas Company, Contango Operators, Inc. and Amegy Bank National Association, as Administrative Agent and Letter of Credit Issuer, together with First Amendment to Second Amended and Restated Credit Agreement dated October 20, 2010 among Contango Oil & Gas Company, Contango Operators, Inc. and Amegy Bank National Association. (4)
10.2	Purchase and Sale Agreement between Juneau Exploration, L.P. and Contango Operators, Inc. dated October 1, 2010.
23.1	Consent of William M. Cobb & Associates, Inc.
23.2	Consent of Lonquist & Co. LLC.
31.1	Certification of Chief Executive Officer required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Filed herewith.

1. Filed as an exhibit to the Company s report on Form 8-K, dated December 1, 2000, as filed with the Securities and Exchange Commission on December 15, 2000.
2. Filed as an exhibit to the Company s report on Form 10-QSB for the quarter ended December 31, 2002, dated November 14, 2002, as filed with the Securities and Exchange Commission.
3. Filed as an exhibit to the Company s Form 10-SB Registration Statement, as filed with the Securities and Exchange Commission on October 16, 1998.
4. Filed as an exhibit to the Company s report on Form 8-K, dated October 20, 2010, as filed with the Securities and Exchange Commission on October 25, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

CONTANGO OIL & GAS COMPANY

Date: November 9, 2010	By:	/s/ KENNETH R. PEAK **Kenneth R. Peak** **Chairman and Chief Executive Officer** **(Principal Executive Officer)**
Date: November 9, 2010	By:	/s/ SERGIO CASTRO **Sergio Castro** **Chief Financial Officer** **(Principal Financial Officer)**

Date: November 9, 2010	By:	/s/ Yaroslava Makalskaya
		Yaroslava Makalskaya
		Vice President and Controller
		(Principal Accounting Officer)

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