

EXPRESS-1 EXPEDITED SOLUTIONS INC

Form 8-K

January 31, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K  
CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of  
The Securities Exchange Act of 1934  
Date of Report (Date of earliest event reported): January 31, 2008  
EXPRESS-1 EXPEDITED SOLUTIONS, INC.  
(Exact name of registrant as specified in its charter)**

**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-32172**  
(Commission File Number)

**03-0450326**  
(IRS Employer  
Identification No.)

**429 Post Road, Buchanan, Michigan 49107**  
(Address of principal executive offices)  
**(269) 695-4920**

Registrant's telephone number, including area code  
**N/A**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 1.01 Entry into a Material Definitive Agreement.**

The information required by Item 1.01 is incorporated into Item 2.01 below.

**ITEM 2.01. Completion of Acquisition or Disposition of Assets**

On January 31, 2008, Express-1 Expedited Solutions, Inc., a Delaware corporation (the Company) through its wholly owned subsidiary Concert Group Logistics, Inc., a Delaware corporation (Buyer) acquired substantially all of the assets of Concert Group Logistics, LLC, an Illinois limited liability company (Seller) subject to the terms and conditions of an asset purchase agreement (the Purchase Agreement) by and among the Company, Buyer, Seller, Daniel Para, Gerry Post, Efrain Maldonado, and John Musolino, Dan Para Investments, LLC, a Delaware limited liability company, The Gerald H. Post Trust dated October 12, 2006, and the John M. Musolino Revocable Trust dated January 9, 2003.

Pursuant to the Purchase Agreement, Buyer acquired the assets for cash consideration of \$9,000,000; the assumption of certain indebtedness; and 4,800,000 shares of common stock of the Company. Following the Closing, Seller shall be entitled to cash earn out payments of up to \$2,000,000 depending on Buyer's attainment of certain EBITDA targets in 2008 and 2009.

In connection with the closing (i) Post and Maldonado entered into employment agreements with Buyer, (ii) Para and Musolino entered into non-competition agreements with Buyer, and (iii) Buyer assumed Seller's lease agreement with respect to the office located at 1430 Branding Avenue, Suite 150, Downers Grove, Illinois.

The Purchase Agreement contains customary representations, warranties, covenants, and indemnification provisions. The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which is attached as Exhibit 99.1.

**ITEM 2.03 Creation of a Direct Financial Obligation**

On January 31, 2008, the Company and its wholly owned subsidiaries entered into agreements (the Loan Documents) with National City Bank, under which National City Bank extended the Company a \$3,600,000 term note with an initial interest rate of LIBOR plus 150 basis points and an \$11,000,000 receivables based commercial revolving note with an initial interest rate of LIBOR plus 125 basis points. To secure the obligations of the Company under the notes National City Bank received guaranties from each of the Company's subsidiaries and a blanket security interest in all assets of the Company and its subsidiaries. In connection with the funding the Company's loan facility with Chemical Bank was fully paid and terminated.

**ITEM 3.02 Unregistered Sales of Equity Securities**

On January 31, 2008, the Company issued 4,800,000 shares of its restricted common stock (the Shares) to the Seller. The Shares were not registered under the Securities Act of 1933 (the Act) and were issued pursuant to an exemption from registration under Section 4(2) of the Act. The Shares bear a legend restricting transferability absent registration or applicable exemption. The additional listing of the Shares has been approved by the American Stock Exchange.

**ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

Effective January 31, 2008, the Company's Board of Directors was expanded by one (1) Class I seat and Daniel Para was appointed to fill the vacancy created by the expanded seat. Mr. Para shall hold office until the 2008 annual meeting of stockholders of the Company and until his successor shall be elected and qualified, subject, however, to his prior death, resignation, retirement, disqualification or removal from office.

Also effective January 31, 2008, Gerry Post has been appointed President of Buyer. Mr. Post has served Seller as its President and Chief Operating Officer since 2006, and prior to that as its Executive Vice President and Chief Operating Officer since 2002. Pursuant to the terms of an employment agreement entered into by the parties, Mr. Post will be entitled to receive base compensation in the amount of \$180,000 and will be eligible for incentive compensation at the discretion of the Company's Board of Directors. The agreement has an initial term of 3 years and automatically renews in 1 year increments unless and until (i) either party provides the other party with written notice of non-renewal at least 45 days prior to the end of any such period; or (ii) the agreement is earlier terminated pursuant to the terms thereof. The agreement contains confidentiality, non-competition, and non-solicitation provisions. The foregoing description of the employment agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the employment agreement, a copy of which is attached hereto as Exhibit 99.2.

**ITEM 7.01 Regulation FD Disclosure**

On January 31, 2008, the Company issued a press release disclosing the execution of the Purchase Agreement and terms of the asset acquisition, a copy of which is furnished as Exhibit 99.3 hereto.

**ITEM 9.01 Financial Statements and Exhibits**

**(a) Financial Statements of Businesses Acquired**

**CONCERT GROUP LOGISTICS, LLC**  
**Financial Statements and**  
**Independent Auditor's Report**  
**Years Ended December 31, 2007 and 2006**

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**CONCERT GROUP LOGISTICS, LLC**  
**Years Ended December 31, 2007 and 2006**  
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**Independent Auditor's Report**

To the Members of  
Concert Group Logistics, LLC  
Downers Grove, Illinois

We have audited the accompanying balance sheets of Concert Group Logistics, LLC as of December 31, 2007 and 2006, and the related statements of income, members' equity and cash flows for years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concert Group Logistics, LLC as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Westchester, Illinois  
January 30, 2008

One Westbrook Corporate Center Suite 535 Westchester, Illinois 60154  
Telephone 708/836-830 Facsimile 708/836-0833

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**Exhibit A****CONCERT GROUP LOGISTICS, LLC****Balance Sheets****December 31, 2007 and 2006**

|   | 2007             | 2006             |
|---|------------------|------------------|
| <b><u>ASSETS</u></b> (Note 8)   |                  |                  |
| Current Assets  |                  |                  |
| Cash  | \$ 257,696       | \$ 36,347        |
| Receivables   |                  |                  |
| Trade (net of allowance for doubtful accounts of \$70,989 in 2007 and \$52,897 in 2006)   | 6,293,973        | 5,261,374        |
| Other   | 4,667            |                  |
| Current portion of long-term notes receivable (net of allowance for doubtful accounts of \$52,068 in 2007 and \$0 in 2006) (note 3) | 243,269          | 159,504          |
| Due from member (note 4)  | 502,087          | 5,000            |
| Prepaid expenses  | 91,013           | 88,892           |
| <br>Total Current Assets  | <br>7,392,705    | <br>5,551,117    |
| <br>Property and Equipment, (Net of Accumulated Depreciation) (Note 5)  | <br>457,924      | <br>504,628      |
| <br>Other Assets  |                  |                  |
| Deposits  | 32,500           | 32,500           |
| Variable interest entity (note 6)   | 30,081           |                  |
| Notes receivable independent participants, net of current portion (note 3)  | 263,026          | 168,136          |
| Independent participant incentives, net (note 7)  | 353,970          | 316,875          |
| <br>Total Other Assets  | <br>679,577      | <br>517,511      |
|   | <br>\$ 8,530,206 | <br>\$ 6,573,256 |
| <b><u>LIABILITIES AND MEMBERS EQUITY</u></b>  |                  |                  |
| Current Liabilities   |                  |                  |
| Short-term borrowings bank (note 8)   | \$ 2,355,533     | \$ 1,491,684     |
| Note payable due former member (note 9)   | 60,000           |                  |
| Payables trade  | 5,450,079        | 4,503,825        |
| Accrued expenses  | 133,186          | 125,339          |
| Independent participant deposits  | 386,353          | 249,315          |
| <br>Total Current Liabilities   | <br>8,385,151    | <br>6,370,163    |



|   |              |              |
|---|--------------|--------------|
| Long-Term Liabilities   |              |              |
| Note payable due from member, net of current portion (note 9) | 60,000       |              |
| Security deposit  | 12,500       | 12,500       |
| <br>  |              |              |
| Total Long Term Liabilities                                   | 72,500       | 12,500       |
| <br>  |              |              |
| Total Liabilities   | 8,457,651    | 6,382,663    |
| <br>  |              |              |
| Members Equity (Exhibit B)                                    | 72,555       | 190,593      |
| <br>  |              |              |
|   | \$ 8,530,206 | \$ 6,573,256 |

**The accompanying notes are an integral part of the financial statements.**

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**Exhibit B**

**CONCERT GROUP LOGISTICS, LLC**  
**Statements of Income and Members' Equity**  
**Years Ended December 31, 2007 and 2006**

|  | Amount        |               | Percent<br>of Net Sales |         |
|--|---------------|---------------|-------------------------|---------|
|  | 2007          | 2006          | 2007                    | 2006    |
| Net Sales                                | \$ 47,214,962 | \$ 36,643,865 | 100.00%                 | 100.00% |
| Cost of Sales                            | 42,742,486    | 32,927,950    | 90.53                   | 89.86   |
| Gross Profit                             | 4,472,476     | 3,715,915     | 9.47                    | 10.14   |
| Selling and Administrative Expenses      | 3,945,344     | 3,271,268     | 8.36                    | 8.92    |
| Income from Operations                   | 527,132       | 444,647       | 1.11                    | 1.22    |
| Other (Income) Expense                   |               |               |                         |         |
| Income from variable interest entity     | (10,081)      |               | (.02)                   |         |
| Interest expense                         | 231,272       | 142,857       | .49                     | .39     |
| Interest income                          | (68,983)      | (21,654)      | (.15)                   | (.06)   |
| Other expense                            | 52,962        | 16,099        | .11                     | .04     |
| Total Other Expense, Net                 | 205,170       | 137,302       | .43                     | .37     |
| Net Income                               | 321,962       | 307,345       | .68%                    | .85%    |
| Members' Equity, Beginning               | 190,593       | 144,189       |                         |         |
| Repurchase of Member Interest (Note 9)   | (240,000)     |               |                         |         |
| Members' Distributions                   | (200,000)     | (260,941)     |                         |         |
| Members' Equity, End of Year (Exhibit A) | \$ 72,555     | \$ 190,593    |                         |         |

**The accompanying notes are an integral part of the financial statements.**

**Exhibit C**

**CONCERT GROUP LOGISTICS, LLC**  
**Statements of Cash Flows**  
**Years Ended December 31, 2007 and 2006**

|   | 2007            | 2006          |
|---|-----------------|---------------|
| <b>Cash Flows from Operating Activities</b>   |                 |               |
| Net Income  | \$ 321,962      | \$ 307,345    |
| Adjustments to reconcile net income to net cash provided by operating activities                        |                 |               |
| Depreciation and amortization   | 335,006         | 209,045       |
| Provision for loss on investment  | 30,000          |               |
| Provision for losses on notes receivable and independent participant incentives                         | 52,068          | 40,625        |
| Loss on disposal of assets  | 9,705           | 16,105        |
| Income from unconsolidated investment   | (10,081)        |               |
| Changes in assets and liabilities (Increase) Decrease in Receivables                                    | (1,037,266)     | (546,666)     |
| Prepaid expenses and deposits   | (2,122)         | 11,151        |
| Increase in accounts payable, accrued expenses, independent participant deposits, and security deposits | 1,091,139       | 1,027,691     |
| <br>Total Adjustments   | <br>468,449     | <br>757,951   |
| <br>Net Cash Provided by Operating Activities   | <br>790,411     | <br>1,065,296 |
| <br><b>Cash Flows from Investing Activities</b>   |                 |               |
| Capital expenditures  | (140,101)       | (409,088)     |
| Proceeds from disposal of assets  |                 | 75,400        |
| Investment in variable interest entity  | (20,000)        |               |
| Payments of independent participant incentives  | (225,000)       | (105,000)     |
| Notes receivable from independent participants, net of repayments                                       | (230,723)       | (159,618)     |
| Notes receivable from members   | (497,087)       | (5,000)       |
| <br>Net Cash Used in Investing Activities   | <br>(1,112,911) | <br>(603,306) |
| <br><b>Cash Flows from Financing Activities</b>   |                 |               |
| Members distributions   | (200,000)       | (260,941)     |
| Repurchase of member interest   | (120,000)       |               |
| Net proceeds from short-term borrowings   | 863,849         | (186,104)     |
| <br>Net Cash Provided by (Used in) Financing Activities   | <br>543,849     | <br>(447,045) |
| <br><b>Net Increase in Cash and Cash Equivalents</b>  | <br>221,349     | <br>14,945    |

|   |            |           |
|---|------------|-----------|
| <b>Cash and Cash Equivalents, Beginning</b>   | 36,347     | 21,402    |
| <b>Cash and Cash Equivalents, End of Year</b> | \$ 257,696 | \$ 36,347 |

**The accompanying notes are an integral part of the financial statements.**

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**CONCERT GROUP LOGISTICS, LLC**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

**Allowance for Doubtful Accounts**

In the normal course of business, the Company grants credit to its customers throughout the United States and Canada, performs ongoing credit evaluations of its customers, and maintains reserves for potential credit losses. In determining the amount of the allowance for doubtful accounts, management considers historical credit losses, the past-due status of receivables, payment history and other customer-specific information, and any other relevant information. The past-due status of a receivable is based on its contractual terms. The Company withholds a percentage of commissions from the independent participants ( IP s ) to cover the IP s liability for potential credit losses. Receivables are written off when management determines they are uncollectible. Credit losses, when realized, have been within the range of management s expectations and historically have not been significant.

**Property and Equipment**

Property and equipment are stated at cost. Major renewals and betterments that extend the useful life of property and equipment are capitalized, while the cost of maintenance and repairs are charged to expense as incurred.

The Company calculates depreciation using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years for communication equipment, computer equipment, software, and furniture and fixtures.

Leasehold improvements are amortized using the straight-line method over 10 years.

**Income Taxes**

The Company is organized as a limited liability company under the governing laws of the state of Illinois. Typically, limited liability companies are taxed as partnerships for federal income tax purposes, and accordingly, all taxes except for state replacement taxes are paid directly by the members.

**Revenue Recognition**

Because the Company is subject to credit risk, inventory/cargo risk and insurance risk, it recognizes revenue gross as a principal rather than net as an agent. Based upon the terms in the contract of carriage, revenues related to shipments where the Company issues a House Airway Bill or a House Ocean Bill of Lading are recognized at the time the freight is tendered to the direct carrier at origin.

**CONCERT GROUP LOGISTICS, LLC**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

Costs related to the shipments are also recognized at this same time.

The receipt of invoices for freight forwarding costs is usually delayed. The Company estimates the cost of purchased transportation and services, and accrues an amount on a shipment by shipment basis in a manner consistent with the revenue recognition. Such estimates are based on past trends and on the judgment of management. Historically, upon completion of the payment cycle, the actual aggregate transportation costs are not materially different from the amounts accrued.

Use of these recognition policies does not produce results materially different from other acceptable revenue and cost recognition policies.

**Ownership Rights**

The Company entered into an operating agreement with each Member which sets forth the rights, obligations, and duties with respect to the Company. According to the operating agreement, members shall not be personally liable to creditors of the Company for debts, obligations, liabilities, or losses of the Company, except as required by law. The Manager along with the Board of Managers has the right to make calls for additional capital contributions. The Manager may require the Company to make distributions of cash or property at such times and amounts as it determines, subject to regulatory limitations and approval.

**Unconsolidated Investments**

Investments in other entities, for which the Company does not own a controlling share and does not exercise substantial management control, are accounted for on the equity method.

**Use of Estimates**

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company reviews its estimates, including but not limited to, purchased transportation, recoverability of long-lived assets, recoverability of prepaid expenses, valuation of investments and allowance for doubtful accounts, on a regular basis and makes adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed and adjustments are made as information is available. Management believes that these estimates are reasonable; however, actual results could differ from these estimates.

**CONCERT GROUP LOGISTICS, LLC**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising Costs**

The Company expenses the production costs of advertising when the advertising first takes place.

**Enterprise Value Participation Plan**

Some of the IP s have entered into an Enterprise Value Participation Plan ( EVPP ) whereby the IP shares in the total distributions of the company. Under the terms of the agreement EVPP expense for 2007 and 2006 was \$50,000 and \$40,000, respectively. The EVPP expense is included in cost of sales.

**Independent Participant Incentives**

As an incentive to sign on as an IP with the Company, the Company may pay amounts to the IP in order to assist them with the transition of their businesses. These amounts are prorated over the term of the IP agreement ( IPA ) which range from 5 to 10 years. Should the agreement be terminated without cause prior to the initial term of the IPA, the prorated incentive amounts on the unfulfilled initial term become immediately due and payable.

**Employee Benefit Plan**

Effective 2004, the Company adopted a 401K retirement plan that covers all employees who meet applicable age and service requirements. The plan provides for matching company contributions. The Company s matching contributions for 2007 and 2006 were \$24,299 and \$18,956, respectively.

**Long-Lived Assets**

The Company evaluates its long-lived assets on an ongoing basis. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If the asset is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value.

**Reclassification**

Certain items previously reported in specific financial statement captions have been reclassified to conform to the 2007 presentation.

**CONCERT GROUP LOGISTICS, LLC**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**NOTE 2 INDUSTRY OPERATIONS AND CONCENTRATIONS OF CREDIT RISK**

On April 6, 2001 the Company was formed as an Illinois Limited Liability Company under the name Concert Group, LLC. The Company is engaged primarily as a domestic freight forwarder. The company provides its services through a network of stations operated by IP's. IP's may own one or more stations, use the company's forwarding network, and share the revenue and expenses through a commission arrangement.

Financial instruments that potentially subject the company to significant concentrations of credit risk consist primarily of cash and trade accounts receivable. Cash is on deposit at high credit quality financial institutions in bank deposit accounts which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

The Company grants credit to its customers who are substantially in the manufacturing, retail and distribution industries, as well as granting credit to its IP's. The company performs ongoing credit evaluations of its customers and IP's and maintains reserves for potential credit losses which, when realized, have been within the range of management's expectations.

The Company estimates that the fair value of all financial instruments at December 31, 2007 and 2006 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the company using available market information and appropriate valuation methodologies.

**NOTE 3 NOTES RECEIVABLE**

The Company had notes receivable with various IP's totaling \$558,363 in 2007 and \$327,640 in 2006. The agreements bear interest at rates ranging from prime to prime +2%, and call for weekly repayments from commissions and earned profits. As of December 31, 2007 a reserve of \$52,068 has been established for potential uncollectible amounts. No reserve was established as of December 31, 2006. Scheduled minimum repayments are as follows:

| Year ending December 31, | Amount     |
|--------------------------|------------|
| 2008                     | \$ 295,337 |
| 2009                     | 99,075     |
| 2010                     | 57,741     |
| 2011                     | 62,080     |
| 2012                     | 44,130     |
|                          | \$ 558,363 |



**CONCERT GROUP LOGISTICS, LLC**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**NOTE 4 RELATED PARTIES**

The Company has entered a revolving loan agreement with a member that expires February 29, 2008. Maximum borrowings under this agreement are \$650,000, bear interest at 8% per annum, and are guaranteed by the member. The total amount due from the member was \$502,087 as of December 31, 2007. See Note 11 for additional related party disclosures.

**NOTE 5 PROPERTY AND EQUIPMENT**

|                                 | 2007       | 2006       |
|---------------------------------|------------|------------|
| Leasehold improvements          | \$ 84,210  | \$ 84,210  |
| Furniture and fixtures          | 138,153    | 107,965    |
| Computer equipment and programs | 757,828    | 714,910    |
| Communication equipment         | 24,043     | 28,205     |
|                                 | 1,004,234  | 935,290    |
| Accumulated depreciation        | (546,310)  | (430,662)  |
|                                 | \$ 457,924 | \$ 504,628 |

Depreciation expense for the years ended December 31, 2007 and 2006 was \$177,101 and \$140,712, respectively.

**NOTE 6 VARIABLE INTEREST ENTITY**

In February 2007, the Company paid \$20,000 for a 40% interest in Flyer Logistics, LLC, a company dedicated to providing streamlined logistics solutions. As of and for the ten months ended December 31, 2007 the assets of the variable interest entity totaled approximately \$385,000 and revenues totaled approximately \$880,000. Also, as of December 31, 2007 the Company invested \$267,608 in a secured note making the Company's maximum exposure to loss as a result of its involvement with the variable interest entity \$287,608.

**NOTE 7 INDEPENDENT PARTICIPANT INCENTIVES**

|                               | 2007       | 2006       |
|-------------------------------|------------|------------|
| Incentives paid               | \$ 675,000 | \$ 480,000 |
|                               | (          | (          |
| Less accumulated amortization | 321,030)   | 163,125)   |
|                               | \$ 353,970 | \$ 316,875 |

**CONCERT GROUP LOGISTICS, LLC**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**NOTE 7 INDEPENDENT PARTICIPANT INCENTIVES (Continued)**

Independent participant incentives of \$225,000 and \$105,000 were paid during 2007 and 2006, respectively. These assets are amortized over 5 to 10 years and have no residual value. Amortization expense for 2007 and 2006 was \$157,905 and \$68,333, respectively. The estimated future amortization is as follows:

|                     |                |
|---------------------|----------------|
| 2008                | \$ 45,811      |
| 2009                | 43,311         |
| 2010                | 43,311         |
| 2011                | 43,311         |
| 2012 and thereafter | 178,226        |
| <br>Total           | <br>\$ 353,970 |

**NOTE 8 SHORT-TERM BORROWINGS BANK**

At December 31, 2007, the Company was obligated under a \$4,500,000 line of credit agreement with First Bank and Trust for \$2,355,533. Borrowings under this line of credit bear interest at prime rate index less 1/4%, are secured by substantially all of the company's assets, and are personally guaranteed by certain members limited to a maximum of \$3,000,000 of borrowings. The agreement expires on June 29, 2008. Letters of credit of \$140,000 had been pledged against available borrowings as of December 31, 2007.

**NOTE 9 NOTE PAYABLE DUE FORMER MEMBER**

On April 15, 2007, the Company entered into an agreement with a former member to terminate his membership interest. The Company purchased all of the former member's interests for \$240,000; of which \$120,000 was payable in cash at closing and the remaining \$120,000 is to be paid in two annual installments of \$60,000 on the anniversary of the closing date.

**NOTE 10 OTHER CASH FLOW INFORMATION**

Cash payments for interest amounted to \$243,348 in 2007 and \$130,782 in 2006.

In 2007, the Company entered into an agreement to acquire a former membership interest in exchange for a note of \$120,000.

**CONCERT GROUP LOGISTICS, LLC**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**NOTE 11 LEASE COMMITMENT AND RELATED PARTY**

The company leases its operating facilities in Downers Grove, Illinois from an entity related through common ownership. The lease expires on June 30, 2016. Total rental expense for all operating leases for the years ended December 31, 2007 and 2006 were \$115,173 and \$105,883, respectively.

At December 31, 2007, the future minimum lease payments are as follows:

| Year ending December 31, | Amount       |
|--------------------------|--------------|
| 2008                     | \$ 116,451   |
| 2009                     | 119,944      |
| 2010                     | 123,545      |
| 2011                     | 127,251      |
| Thereafter               | 621,011      |
|                          | \$ 1,108,202 |

**Independent Auditor's Report on Supplementary Information**

To the Members of  
Concert Group Logistics, LLC  
Downers Grove, Illinois

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of selling and administrative expenses for the years ended December 31, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on such information.

Westchester, IL  
January 30, 2008

One Westbrook Corporate Center Suite 535 Westchester, Illinois 60154  
Telephone 708/836-0830 Facsimile 708/836-0833

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**Schedule B-1**

**CONCERT GROUP LOGISTICS, LLC**  
**Selling and Administrative Expenses**  
**Years Ended December 31, 2007 and 2006**

|                               | Amount       |              | Percent<br>of Net Sales |       |
|-------------------------------|--------------|--------------|-------------------------|-------|
|                               | 2007         | 2006         | 2007                    | 2006  |
| Members Guaranteed Payments   | \$ 1,241,917 | \$ 1,087,660 | 2.63%                   | 2.97% |
| Salaries and Wages            | 861,956      | 715,410      | 1.83                    | 1.95  |
| Employee Benefits             | 24,299       | 18,956       | .05                     | .05   |
| Insurance Health              | 80,286       | 65,430       | .17                     | .18   |
| Insurance Office              | 9,569        | 5,646        | .02                     | .02   |
| Claims Expense                | 6,640        | 18,150       | .01                     | .05   |
| Bad Debt Expense              | 94,339       | 115,083      | .20                     | .31   |
| Repairs and Maintenance       | 8,674        | 5,692        | .02                     | .02   |
| Business Development          | 45,023       | 32,542       | .10                     | .09   |
| Promotion and Entertainment   | 149,732      | 162,917      | .32                     | .44   |
| Meetings and Conventions      | 109,403      | 71,214       | .23                     | .19   |
| Professional Fees             | 108,990      | 39,803       | .23                     | .11   |
| Utilities                     | 2,312        | 5,514        | .01                     | .02   |
| Dues and Subscriptions        | 47,238       | 35,827       | .10                     | .10   |
| Office Expense                | 350,714      | 242,784      | .74                     | .66   |
| Rent                          | 115,173      | 105,883      | .24                     | .29   |
| Information Systems           | 148,755      | 113,558      | .32                     | .31   |
| Telephone                     | 52,727       | 45,755       | .11                     | .12   |
| Travel                        | 96,223       | 107,434      | .20                     | .29   |
| Auto                          | 40,077       | 40,115       | .09                     | .11   |
| Depreciation and Amortization | 335,006      | 209,045      | .71                     | .57   |
| Miscellaneous                 | 16,291       | 26,850       | .03                     | .07   |
|                               | \$ 3,945,344 | \$ 3,271,268 | 8.36%                   | 8.92% |

**See Independent Auditors Report on Supplementary Information.**

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**(b) Pro Forma Financial information**

The pro forma financial information required by this item will be filed by amendment to this Form 8-K within the applicable timeframe.

**(d) Exhibits**

| Exhibit | Description   |
|---------|---|
| 99.1    | Asset Purchase Agreement by and among Concert Group Logistics, Inc., Express-1 Expedited Solutions, Inc., Concert Group Logistics, LLC, Daniel Para, Gerald H. Post, Efrain Maldonado, John M. Musolino, and the Members party thereto, dated January 31, 2008. |
| 99.2    | Employment Agreement between Concert Group Logistics, Inc. and Gerald H. Post.  |
| 99.3    | Press Release dated January 31, 2008.   |

**SIGNATURES**

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

Date: January 31, 2008.

Express-1 Expedited Solutions, Inc.

/s/ Mike Welch

Mike Welch  
Chief Executive Officer

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