RADIANT LOGISTICS, INC
Form 10-Q
February 08, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 31, 2016

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 001-35392

RADIANT LOGISTICS, INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware	04-3625550
(State or Other Jurisdiction of	(IRS Employer
Incorporation or Organization)	Identification No.)

405 114th Ave S.E., Bellevue, WA 98004
(Address of principal executive offices)

(425) 943-4599
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year,
if changed since last report)

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 No

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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

There were 48,803,249 shares issued and outstanding of the registrant’s common stock, par value $.001 per share, as of February 1, 2017.

RADIANT LOGISTICS, INC.

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RADIANT LOGISTICS, INC.

Condensed Consolidated Balance Sheets

(unaudited)

(In thousands, except share and per share data)	December 31, 2016	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$8,263	$4,768
Accounts receivable, net of allowance of $1,790 and $1,806, respectively	113,085	101,035
Employee and other receivables	338	635
Income tax deposit	616	1,525
Prepaid expenses and other current assets	2,414	5,410
Total current assets	124,716	113,373
Technology and equipment, net	12,653	12,453
Acquired intangibles, net	67,833	71,941
Goodwill	62,888	62,888
Deposits and other assets	2,780	2,814
Total long-term assets	133,501	137,643
Total assets	$270,870	$263,469
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued transportation costs	$81,254	$75,071
Commissions payable	13,223	8,280
Other accrued costs	4,054	5,331
Due to former shareholders of acquired operations	—	50
Current portion of notes payable	2,406	2,416
Current portion of contingent consideration	3,279	3,387
Current portion of transition and lease termination liability	1,571	1,838
Other current liabilities	106	138
Total current liabilities	105,893	96,511
Notes payable, net of current portion	26,058	28,903
Contingent consideration, net of current portion	1,391	4,098
Transition and lease termination liability, net of current portion	384	658
Deferred rent liability	902	851
Deferred tax liability	11,984	12,525
Other long-term liabilities	746	742
Total long-term liabilities	41,465	47,777
Total liabilities	147,358	144,288

Stockholders' equity:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized; 839,200 shares issued and outstanding, liquidation preference of $20,980	1	1
Common stock, $0.001 par value, 100,000,000 shares authorized; 48,893,755 and 48,857,506 shares issued, and 48,801,957 and 48,857,506 shares outstanding, respectively	30	30
Additional paid-in capital	115,000	114,392
Treasury stock, at cost, 91,798 and 0 shares, respectively	(253)	—
Deferred compensation	—	(1)
Retained earnings	8,030	4,581
Accumulated other comprehensive income	638	98
Total Radiant Logistics, Inc. stockholders' equity	123,446	119,101
Non-controlling interest	66	80
Total stockholders' equity	123,512	119,181
Total liabilities and stockholders' equity	$270,870	$263,469

The accompanying notes form an integral part of these condensed consolidated financial statements.

RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(unaudited)

(In thousands, except share and per share data)	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Revenues	$198,881	$206,322	$394,014	$421,817
Cost of transportation	148,757	158,726	294,881	323,508
Net revenues	50,124	47,596	99,133	98,309
Operating partner commissions	22,957	21,691	46,308	43,989
Personnel costs	12,954	13,279	25,732	27,722
Selling, general and administrative expenses	5,569	6,629	11,350	13,092
Depreciation and amortization	3,028	3,119	6,034	6,224
Transition and lease termination costs	385	1,157	862	4,320
Impairment of acquired intangible assets	—	3,680	—	3,680
Change in contingent consideration	806	598	1,056	186
Total operating expenses	45,699	50,153	91,342	99,213
Income (loss) from operations	4,425	(2,557)	7,791	(904)
Other income (expense):				
Interest income	6	8	11	14
Interest expense	(620)	(1,318)	(1,259)	(2,735)
Foreign exchange gain	188	218	388	469
Other	116	24	310	119
Total other expense:	(310)	(1,068)	(550)	(2,133)
Income (loss) before income tax expense	4,115	(3,625)	7,241	(3,037)
Income tax benefit (expense)	(1,489)	1,628	(2,741)	1,394
Net income (loss)	2,626	(1,997)	4,500	(1,643)
Less: Net income attributable to non-controlling interest	(16)	(19)	(28)	(34)
Net income (loss) attributable to Radiant Logistics, Inc.	2,610	(2,016)	4,472	(1,677)
Less: Preferred stock dividends	(511)	(511)	(1,023)	(1,023)
Net income (loss) attributable to common stockholders	$2,099	$(2,527)	$3,449	$(2,700)
Other comprehensive income (loss):				
Foreign currency translation gain	317	566	540	1,422
Comprehensive income (loss)	$2,416	$(1,961)	$3,989	$(1,278)

Net income (loss) per common share - basic and diluted	$0.04	$(0.05)	$0.07	$(0.06)
Weighted average shares outstanding:				
Basic shares	48,789,684	48,732,762	48,825,598	48,054,100
Diluted shares	49,799,686	48,732,762	49,667,041	48,054,100

The accompanying notes form an integral part of these condensed consolidated financial statements.

RADIANT LOGISTICS, INC.

Condensed Consolidated Statement of Stockholders' Equity

(unaudited)

	RADIANT LOGISTICS, INC. STOCKHOLDERS' EQUITY										
(In thousands, except share data)	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional Paid-in Capital	Treasury Stock	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total Stockholders' Equity
Balance as of June 30, 2016	839,200	$ 1	48,857,506	$ 30	$ 114,392	$ —	$ (1)	$ 4,581	$ 98	$ 80	$ 119,181
Repurchase of common stock	—	—	(91,798)		—	(253)	—	—	—	—	(253)
Share-based compensation	—	—	—	—	659	—	—	—	—	—	659
Amortization of deferred compensation	—	—	—	—	—	—	1	—	—	—	1
Cashless exercise of stock options	—	—	36,249	—	(51)	—	—	—	—	—	(51)
Preferred dividends paid	—	—	—	—	—	—	—	(1,023)	—	—	(1,023)
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(42)	(42)
Net income	—	—	—	—	—	—	—	4,472	—	28	4,500
Comprehensive income	—	—	—	—	—	—	—	—	540	—	540
Balance as of December 31, 2016	839,200	$ 1	48,801,957	$ 30	$ 115,000	$ (253)	$ —	$ 8,030	$ 638	$ 66	$ 123,512

The accompanying notes form an integral part of these condensed consolidated financial statements.

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RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(In thousands)	Six Months Ended December 31, 2016	2015
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income (loss)	$4,500	$(1,643)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
share-based compensation expense	660	758
amortization of intangibles	4,157	4,412
depreciation and leasehold amortization	1,877	1,812
deferred income tax benefit	(658)	(2,307)
amortization of loan fees	159	201
change in contingent consideration	1,056	186
loss on impairment of acquired intangible assets	—	3,680
transition and lease termination costs	44	2,942
loss on disposal of technology and equipment	4	111
change in (recovery of) provision for doubtful accounts	(17)	268
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
accounts receivable	(12,586)	17,485
employee and other receivables	297	(13)
income tax deposit	939	(2,569)
prepaid expenses, deposits and other assets	2,912	2,502
accounts payable and accrued transportation costs	6,592	(10,900)
commissions payable	4,944	2,055
other accrued costs	(1,248)	(2,270)
other liabilities	2	(137)
deferred rent liability	57	(206)
payment of contingent consideration	(425)	(15)
transition and lease termination liability	(530)	(682)
Net cash provided by operating activities	12,736	15,670
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Acquisition during the fiscal year	(50)	(800)
Purchases of technology and equipment	(2,184)	(2,396)
Proceeds from sale of technology and equipment	52	152
Payments to former shareholders of acquired operations	(50)	(684)
Net cash used for investing activities	(2,232)	(3,728)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Repayments to credit facility, net of credit fees	(979)	(34,706)
Repayments of notes payable	(1,166)	(85)

Proceeds from stock offering, net of offering costs	—	38,430
Purchases of treasury stock	(253)	—
Payments of contingent consideration	(3,446)	(1,454)
Payment of preferred stock dividends	(1,023)	(1,023)
Distribution to non-controlling interest	(42)	(48)
Payments of employee tax withholdings related to cashless stock option exercises	(51)	(104)
Tax benefit from exercise of stock options	—	60
Net cash provided by (used for) financing activities	(6,960)	1,070
Effect of exchange rate changes on cash and cash equivalents	(49)	(154)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,495	12,858
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,768	7,268
CASH AND CASH EQUIVALENTS, END OF PERIOD	$8,263	$20,126
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$2,503	$2,058
Interest paid	$1,112	$2,622

(continued)

RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Cash Flows (continued)

(unaudited)

Supplemental disclosure of non-cash investing and financing activities:

In December 2015, the Company issued 7,385 shares of common stock at a fair value of $4.23 per share in satisfaction of $31 of the Copper Logistics, Incorporated purchase price, resulting in an increase to common stock and an increase to additional paid-in capital of $31.

The accompanying notes form an integral part of these condensed consolidated financial statements.

RADIANT LOGISTICS, INC.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

(All amounts in these footnotes other than share amounts and per share amounts are in thousands)

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

The Company

Radiant Logistics, Inc. (the "Company") operates as a third party logistics company, providing multi-modal transportation and logistics services primarily in the United States and Canada. The Company services a large and diversified account base consisting of consumer goods, food and beverage, manufacturing and retail customers which it supports from an extensive network of over 100 operating locations across North America, as well as an integrated international service partner network located in other key markets around the globe. The Company provides these services through a multi-brand network including 18 Company-owned offices. As a third party logistics company, the Company has approximately 10,000 asset-based transportation companies, including motor carriers, railroads, airlines and ocean lines, in its carrier network. The Company believes shippers value its services because it is able to objectively arrange the most efficient and cost-effective means, type and provider of transportation service since it is not influenced by the ownership of transportation assets. In addition, the Company's minimal investment in physical assets affords it the opportunity for higher return on invested capital and net cash flows than the Company's asset-based competitors.

Through its operating locations across North America, the Company offers domestic and international air and ocean freight forwarding services and freight brokerage services including truckload services, less than truckload services and intermodal services, which is the movement of freight in trailers or containers by combination of truck and rail. The Company's primary business operations involve arranging the shipment, on behalf of its customers, of materials, products, equipment and other goods that are generally larger than shipments handled by integrated carriers of primarily small parcels, such as FedEx, DHL and UPS, including arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. The Company also provides other value-added logistics services, including customs brokerage, order fulfillment, inventory management and warehousing services to complement its core transportation service offering.

The Company expects to grow its business organically and by completing acquisitions of other companies with complementary geographical and logistics service offerings. The Company's organic growth strategy will continue to focus on strengthening existing and expanding new customer relationships leveraging the benefit of the Company's new truck brokerage and intermodal service offerings, while continuing its efforts on the organic build-out of the Company's network of strategic operating partner locations. In addition, as the Company continues to grow and scale its business, the Company is creating density in its trade lanes which creates opportunities for the Company to more efficiently source and manage its transportation capacity.

In addition to its focus on organic growth, the Company will continue to search for acquisition candidates that bring critical mass from a geographic and purchasing power standpoint, along with providing complementary service offerings to the current platform. As the Company continues to grow and scale its business, it remains focused on leveraging its back-office infrastructure and technology systems to drive productivity improvement across the

organization.

Interim Disclosure

The condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The Company’s management believes that the disclosures are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2016.

The interim period information included in this Quarterly Report on Form 10-Q reflects all adjustments, consisting of normal recurring adjustments, that are, in the opinion of the Company’s management, necessary for a fair statement of the results of the respective interim periods. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year.

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as well as a single variable interest entity, Radiant Logistics Partners, LLC (“RLP”), which is 40% owned by Radiant Global Logistics, Inc. (“RGL”), and 60% owned by Radiant Capital Partners, LLC (“RCP”, see Note 8), an affiliate of Bohn H. Crain, the Company’s Chief Executive Officer, whose accounts are included in the condensed consolidated financial statements. All significant intercompany balances and transactions have been eliminated. All amounts in the condensed consolidated financial statements are stated in thousands, except share and per share amounts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements and related disclosures in accordance with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Such estimates include revenue recognition, accruals for the cost of purchased transportation, the fair value of acquired assets and liabilities, changes in contingent consideration, accounting for the issuance of shares and share-based compensation, the assessment of the recoverability of long-lived assets and goodwill, and the establishment of an allowance for doubtful accounts. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period that they are determined to be necessary. Actual results could differ from those estimates.

b) Fair Value Measurements

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

c) Fair Value of Financial Instruments

The carrying values of the Company's receivables, accounts payable and accrued transportation costs, commissions payable, other accrued costs, and the income tax deposit approximate the fair values due to the relatively short maturities of these instruments. The carrying value of the Company's credit facility and other long-term liabilities would not differ significantly from fair value (based on Level 2 inputs) if recalculated based on current interest rates. Contingent consideration attributable to the Company's acquisitions are reported at fair value using Level 3 inputs.

d) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include all highly liquid investments with original maturities of three months or less that are not securing any corporate obligations. Cash balances may at times exceed federally insured limits. Checks issued by the Company that have not yet been presented to the bank for payment are reported as accounts payable and commissions payable in the accompanying condensed consolidated balance sheets. Accounts payable and commissions payable includes outstanding payments which had not yet been presented to the bank for payment in the amounts of $10,615 and $4,434 as of December 31, 2016 and June 30, 2016, respectively.

e) Concentrations

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts.

f) Accounts Receivable

The Company's receivables are recorded when billed and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The Company evaluates the collectability of accounts receivable on a customer-by-customer basis. The Company records a reserve for bad debts against amounts due in order to reduce the net recognized receivable to an amount the Company believes will be reasonably collected. The reserve is a discretionary amount determined from the analysis of the aging of the accounts receivables, historical experience and

knowledge of specific customers.

The Company derives a substantial portion of its revenue through independently-owned strategic operating partner locations operating under various Company brands. Each individual strategic operating partner is responsible for some or all of the bad debt expense related to the underlying customers being serviced by such operating partner. To facilitate this arrangement, certain strategic operating partners are required to maintain a security deposit with the Company that is recognized as a liability in the Company's financial statements. The Company charges each individual strategic operating partner's bad debt reserve account for any accounts receivable aged beyond 90 days. However, the bad debt reserve account may carry a deficit balance when amounts charged to this reserve exceed amounts otherwise available in the bad debt reserve account. In these circumstances, deficit bad debt reserve accounts, as well as other deficit balances owed to us by our strategic operating partners, are recognized as a receivable in the Company's financial statements. Other strategic operating partners are not responsible to establish a bad debt reserve, however, they are still responsible for deficits and their strategic operating partner agreements provide that the Company may withhold all or a portion of future commission checks payable to the individual strategic operating partner in satisfaction of any deficit balance. Currently, a number of the Company's strategic operating partners have a deficit balance in their bad debt reserve account. The Company expects to replenish these funds through the future business operations of these strategic operating partners. However, to the extent any of these operating partners were to cease operations or otherwise be unable to replenish these deficit accounts, the Company would be at risk of loss for any such amount.

g) Technology and Equipment

Technology (computer software, hardware, and communications), vehicles, furniture and equipment are stated at cost, less accumulated depreciation over the estimated useful lives of the respective assets. Depreciation is computed using three to fifteen year lives for vehicles, communication, office, furniture, and computer equipment using the straight line method of depreciation. Computer software is depreciated over a three to five year life using the straight line method of depreciation. For leasehold improvements, the cost is amortized over the shorter of the lease term or useful life on a straight line basis. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in other income or expense. Expenditures for maintenance, repairs and renewals of minor items are charged to expense as incurred. Major renewals and improvements are capitalized.

h) Goodwill

Goodwill represents the excess of purchase price over the value assigned to the net tangible and identifiable intangible assets of a business acquired. The Company typically performs its annual goodwill impairment test effective as of April 1 of each year, unless events or circumstances indicate impairment may have occurred before that time. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. After assessing qualitative factors, the Company determined that no further testing was necessary. If further testing was necessary, the Company would have performed a two-step impairment test for goodwill. The first step requires the Company to determine the fair value of each reporting unit, and compare the fair value to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform a second more detailed impairment assessment. The second impairment assessment involves allocating the reporting unit's fair value to all of its recognized and unrecognized assets and liabilities in order to determine the implied fair value of the reporting unit's goodwill as of the assessment date. The implied fair value of the reporting unit's goodwill is then compared to the carrying amount of goodwill to quantify an impairment charge as of the assessment date. As of December 31, 2016, management believes there are no indications of impairment.

i) Long-Lived Assets

Acquired intangibles consist of customer related intangibles, trade names and trademarks, and non-compete agreements arising from the Company's acquisitions. Customer related intangibles are amortized using the straight-line method over a period of up to 10 years, trademarks and trade names are amortized using the straight line method over

15 years, and non-compete agreements are amortized using the straight line method over the term of the underlying agreements.

The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has performed a review of all long-lived assets and has determined no impairment of the respective carrying value has occurred as of December 31, 2016.

j) Business Combinations

The Company accounts for business combinations using the purchase method of accounting and allocates the purchase price to the tangible and intangible assets acquired and the liabilities assumed based upon their estimated fair values at the acquisition date. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the condensed consolidated statements of operations.

The fair values of intangible assets acquired are estimated using a discounted cash flow approach with Level 3 inputs. Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To calculate fair value, the Company uses risk-adjusted cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believes the level and timing of cash flows appropriately reflects market participant assumptions.

The Company determines the acquisition date fair value of the contingent consideration payable based on the likelihood of paying the contingent consideration as part of the consideration transferred. The fair value is estimated using projected future operating results and the corresponding future earn-out payments that can be earned upon the achievement of specified operating objectives and financial results by acquired companies using Level 3 inputs and the amounts are then discounted to present value. These liabilities are measured quarterly at fair value, and any change in the contingent liability is included in the condensed consolidated statements of operations.

k) Commitments

The Company has operating lease commitments for equipment rentals, office space, and warehouse space under non-cancelable operating leases expiring at various dates through March 2022. Rent expense is recognized straight line over the term of the lease. Minimum future lease payments (excluding the lease payments included in the lease termination liability) under these non-cancelable operating leases for each of the next five fiscal years ending June 30 and thereafter are as follows:

(In thousands)	
2017 (remaining portion)	$2,323
2018	4,219
2019	3,643
2020	3,270
2021	2,295
Thereafter	979
Total minimum lease payments	$16,729

Rent expense amounted to $1,178 and $2,395 for the three and six months ended December 31, 2016, respectively, and $1,194 and $2,422 for the three and six months ended December 31, 2015, respectively

l) Lease Termination and Transition Costs

Lease termination costs consist of expenses related to future rent payments for which the Company no longer intends to receive any economic benefit. A liability is recorded when the Company ceases to use leased space. Lease termination costs are calculated as the present value of lease payments, net of expected sublease income, and the loss on disposition of assets. Transition costs consist of non-recurring personnel costs that will be eliminated in connection with the winding-down of the historical back-office of Service by Air, Inc. ("SBA") and other operating locations.

The transition and lease termination liability consists of the following:

(In thousands)	Lease Termination Costs	Retention and Severance Costs	Non-recurring Personnel Costs	Total
Balance as of June 30, 2016	$ 1,815	$ 681	$ —	$2,496
Lease termination and transitions costs	26	18	818	862
Payments and other	(524)	(61)	(818)	(1,403)
Balance as of December 31, 2016	$ 1,317	$ 638	$ —	$1,955

m) 401(k) Savings Plans

The Company has an employee savings plan under which the Company provides safe harbor matching contributions. The Company's contributions under the plan were $186 and $368 for the three and six months ended December 31, 2016, respectively, and $153 and $299 for the three and six months ended December 31, 2015, respectively.

n) Income Taxes

Deferred income taxes are reported using the asset and liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company reports a liability for unrecognized tax benefits resulting from uncertain income tax positions taken or expected to be taken in an income tax return. Estimated interest and penalties, if any, are recorded as a component of interest expense or other expense, respectively.

o) Revenue Recognition and Purchased Transportation Costs

The Company is the primary obligor responsible for providing the service desired by the customer and is responsible for fulfillment, including the acceptability of the service(s) ordered or purchased by the customer. At the Company's sole discretion, it sets the prices charged to its customers, and is not required to obtain approval or consent from any other party in establishing its prices. The Company has multiple suppliers for the services it sells to its customers, and has the absolute and complete discretion and right to select the supplier that will provide the product(s) or service(s) ordered by a customer, including changing the supplier on a shipment-by-shipment basis. In most cases, the Company determines the nature, type, characteristics, and specifications of the service(s) ordered by the customer. The Company also assumes credit risk for the amount billed to the customer.

As a non-asset based carrier, the Company generally does not own transportation assets. The Company generates the major portion of its freight forwarding revenues by purchasing transportation services from direct (asset-based) carriers and reselling those services to its customers. 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 net of duties and taxes. Costs related to the shipments are also recognized at this same time based upon anticipated margins, contractual arrangements with direct carriers, and other known factors. The estimates are routinely monitored and compared to actual invoiced costs. The estimates are adjusted as deemed necessary by the Company to reflect differences between the original accruals and actual costs of purchased transportation.

This method generally results in recognition of revenues and purchased transportation costs earlier than the preferred methods under GAAP which does not recognize revenue until a proof of delivery is received or which recognizes revenue as progress on the transit is made. The Company's method of revenue and cost recognition does not result in a material difference from amounts that would be reported under such other methods.

All other revenue, including revenue from other value-added services including brokerage services, warehousing and fulfillment services, is recognized upon completion of the service.

p) Share-Based Compensation

The Company has issued restricted stock awards, restricted stock units and stock options to certain directors, officers and employees. The Company accounts for share-based compensation under the fair value recognition provisions such that compensation cost is measured at the grant date based on the value of the award and is expensed ratably over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment about, among other things, stock volatility, the expected life of the award, and other inputs. The Company accounts for forfeitures as they occur. The Company issues new shares of common stock to satisfy exercises and vesting of awards granted under its stock plans.

The Company recorded share-based compensation expense of $329 and $660 for the three and six months ended December 31, 2016, respectively, and $368 and $758 for the three and six months ended December 31, 2015, respectively.

q) Basic and Diluted Income per Share

Basic income per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding. Diluted income per share is computed similar to basic income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares, such as stock awards and stock options, had been issued and if the additional common shares were dilutive. Net income attributable to common stockholders is calculated after earned preferred stock dividends, whether or not declared.

For the three months ended December 31, 2016, the weighted average outstanding number of potentially dilutive common shares totaled 49,799,686 shares of common stock, including unvested restricted stock awards and options to purchase 3,695,826 shares of common stock as of December 31, 2016, of which 2,048,574 were excluded as their effect would have been antidilutive. For the three months ended December 31, 2015, the weighted average outstanding number of dilutive common shares totaled 48,732,762 shares of common stock. Unvested restricted stock awards and options to purchase 4,519,086 shares of common stock were excluded from the diluted income per share for the three months ended December 31, 2015 as there was a net loss in the period and their effect would have been antidilutive.

For the six months ended December 31, 2016, the weighted average outstanding number of potentially dilutive common shares totaled 49,667,041 shares of common stock, including unvested restricted stock awards and options to purchase 3,695,826 shares of common stock as of December 31, 2016, of which 2,139,846 were excluded as their effect would have been antidilutive. For the six months ended December 31, 2015, the weighted average outstanding number of dilutive common shares totaled 48,054,100 shares of common stock. Unvested restricted stock awards and options to purchase 4,519,086 shares of common stock were excluded from the diluted income per share for the six months ended December 31, 2015 as there was a net loss in the period and their effect would have been antidilutive.

The following table reconciles the numerator and denominator of the basic and diluted per share computations for earnings per share as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Weighted average basic shares outstanding	48,789,684	48,732,762	48,825,598	48,054,100
Dilutive effect of share-based awards	1,010,002	—	841,443	—
Weighted average dilutive shares outstanding	49,799,686	48,732,762	49,667,041	48,054,100

r) Foreign Currency Translation

For the Company’s significant foreign subsidiaries that prepare financial statements in currencies other than U.S. dollars, the local currency is the functional currency. All assets and liabilities are translated at period-end exchange rates and all income statement amounts are translated at the weighted average rates for the period. Translation

adjustments are recorded in accumulated other comprehensive (loss) income. Gains and losses on transactions of monetary items are recognized in the condensed consolidated statements of operations.

s) Reclassifications

Certain amounts for prior periods have been reclassified in the Company's condensed consolidated financial statements to conform to the classification used in fiscal year.

t) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. In March 2016, the FASB issued ASU 2016-08 to further clarify the implementation guidance on principal versus agent considerations. The guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on the Company's consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases, to replace existing guidance. The guidance requires the recognition of right-of-use assets and lease liabilities for operating leases with terms more than 12 months on the balance sheet. Guidance is also provided for the presentation of leases within the statement of operations and cash flows. The guidance is effective for annual and interim periods beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on the Company's consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU 2016-16, Income Taxes, allowing the recognition of income tax consequences on intra-entity asset transfers. Current GAAP prohibits recognizing current and deferred income tax consequences for an intra-entity asset transfer until the asset has been sold to an outside party. The guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on the Company's consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other, to supersede the current guidance by replacing the current two-step impairment test with a one-step impairment test. The guidance is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for goodwill impairment tests performed after January 1, 2017. The Company is currently evaluating the impact that the adoption of this guidance will have on the Company's consolidated financial statements and related disclosures.

u) Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, Stock Compensation, to improve the accounting for share-based compensation. The guidance changes how companies account for certain aspects of share-based compensation and the related financial statement presentation. The ASU includes a requirement that the tax effect related to settled share-based awards be recorded as a component of income tax expense or benefit rather than as a component of changes to additional paid-in capital. Cash flows related to excess tax benefits are now reflected as an operating activity. In addition, this ASU simplifies accounting of forfeitures and allows a company to make an accounting policy to estimate the number of share-based awards that are expected to vest and develop a forfeiture rate or to recognize forfeitures as they occur. The Company has elected to account for forfeitures as they occur. The guidance is effective for annual and interim periods beginning after December 15, 2016, and early adoption is permitted. The Company elected early adoption as of July 1, 2016, applied on a prospective basis. As such, there were no changes to prior periods presented. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to the periods presented on the Company's Condensed Consolidated Statements of Cash Flows since such cash flows have historically been presented as a financing activity.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows, to address eight specific cash flow issues to reduce existing divergence in practice. The guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted. The Company elected early adoption as of July 1, 2016, applied on a retrospective basis. The primary impact to the Company from this ASU is: 1) cash payments for debt prepayment or debt extinguishment are classified as cash outflows for financing activities; 2) cash payments made soon after an acquisition are classified as cash outflows for investing activities. Cash payments made after a business combination up to the amount of contingent consideration initially recorded are classified as cash outflows for financing activities. Any payments in excess of the amount initially recorded are classified as cash outflows from operating activities. For the six months ended December 31, 2016, there was a reclassification of $15 from payments of contingent consideration from financing activities to operating activities.

In the prior fiscal year, the Company adopted ASU 2015-03, Imputation of Interest, and ASU 2015-17, Balance Sheet Classification of Deferred Taxes.

NOTE 3 – BUSINESS ACQUISITIONS

Fiscal Year 2016 Acquisition

Copper Logistics, Incorporated

On November 2, 2015, the Company acquired the operations and assets of Copper Logistics, Incorporated (“Copper”), a Minneapolis, Minnesota based company that provides a full range of domestic and international transportation and logistics services across North America. The Company has structured the transaction similar to previous acquisitions, with a portion of the expected purchase price payable in subsequent periods based on future performance of the acquired operation.

The results of operations for the business acquired are included in the financial statements as of the date of purchase.

NOTE 4 – TECHNOLOGY AND EQUIPMENT

(In thousands)	December 31, 2016	June 30, 2016
Computer software	$ 10,392	$8,596
Trailers and related equipment	4,771	4,890
Leasehold improvements	1,652	1,648
Computer equipment	1,625	1,416
Office and warehouse equipment	868	794
Furniture and fixtures	588	581
	19,896	17,925
Less: Accumulated depreciation and amortization	(7,243)	(5,472)
	$ 12,653	$12,453

Depreciation and amortization expense related to technology and equipment was $945 and $1,877 for the three and six months ended December 31, 2016, respectively, and $901 and $1,812 for the three and six months ended December 31, 2015, respectively.

NOTE 5 – ACQUIRED INTANGIBLE ASSETS

The table below reflects acquired intangible assets related to all acquisitions:

(In thousands)	December 31, 2016	June 30, 2016	Weighted-Average Life
Customer related	$85,874	$85,824	7.6 years
Trade names and trademarks	14,069	14,069	13.3 years
Covenants not to compete	740	740	1.6 years
	100,683	100,633	
Less: Accumulated amortization	(32,850)	(28,692)	
	$67,833	$71,941	

Amortization expense amounted to $2,083 and $4,157 for the three and six months ended December 31, 2016, respectively, and $2,218 and $4,412 for the three and six months ended December 31, 2015, respectively. Future amortization expense for each of the next five fiscal years ending June 30 and thereafter are as follows:

(In thousands)	
2017 (remaining portion)	$4,146
2018	8,245
2019	8,201
2020	8,089
2021	8,026
Thereafter	31,126
	$67,833

NOTE 6 – NOTES PAYABLE

Notes payable consists of the following:

(In thousands)	December 31, 2016	June 30, 2016
Long-term Credit Facility	$ 8,719	$9,766
Senior Secured Loan	20,196	22,081
Other notes payable	244	338
Less: Loan issuance costs	(695)	(866)
Total notes payable	28,464	31,319
Less: Current portion	(2,406)	(2,416)
Total notes payable, net of current portion	$ 26,058	$28,903

Future maturities of notes payable and other long-term debt for each of the next five fiscal years ending June 30 and thereafter are as follows:

(In thousands)	
2017 (remaining portion)	$1,186
2018	2,431
2019	11,161
2020	2,610
2021	2,788
Thereafter	8,983
	$29,159

Bank of America Credit Facility

The Company has a $65.0 million senior credit facility (the “Credit Facility”) with Bank of America, N.A. (the “Lender”) on its own behalf and as agent to the other lenders named therein, currently consisting of the Bank of Montreal (as the initial member of the syndicate under such loan), pursuant to an Amended and Restated Loan and Security Agreement. The Credit Facility includes a $2.0 million sublimit to support letters of credit and matures August 9, 2018.

Borrowings accrue interest based on the Company’s fixed charge coverage ratio at the Lender’s base rate plus 0.0% to 0.50% or LIBOR plus 1.50% to 2.25%. The Credit Facility provides for advances of up to 85% of the eligible Canadian and domestic accounts receivable, 75% of eligible accrued but unbilled domestic receivables and eligible foreign accounts receivable, all of which are subject to certain sub-limits, reserves and reductions. The Credit Facility is collateralized by a first-priority security interest in all of the assets of the U.S. co-borrowers, a first-priority security

interest in all of the accounts receivable and associated assets of the Canadian co-borrowers (the “Canadian A/R Assets”) and a second-priority security interest on the other assets of the Canadian borrowers.

Borrowings are available to fund future acquisitions, capital expenditures, repurchase of Company stock or for other corporate purposes. The terms of the Credit Facility are subject to customary financial and operational covenants, including covenants that may limit or restrict the ability to, among other things, borrow under the Credit Facility, incur indebtedness from other lenders, and make acquisitions. As of December 31, 2016, the Company was in compliance with all of its covenants.

As of December 31, 2016, based on available collateral and $0.3 million in outstanding letter of credit commitments, there was $55.9 million available for borrowing under the Credit Facility.

Senior Secured Loan

In connection with the Company's acquisition of Wheels, Wheels obtained a CAD$29.0 million senior secured Canadian term loan from Integrated Private Debt Fund IV LP ("IPD") pursuant to a CAD$29,000,000 Credit Facilities Loan Agreement (the "IPD Loan Agreement"). The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on April 1, 2024 and accrues interest at a rate of 6.65% per annum. The Company is required to maintain five months interest in a debt service reserve account to be controlled by IPD. This amount is recorded as deposits and other assets in the accompanying condensed consolidated financial statements. The loan repayment consists of interest-only payments for the first 12 months followed by blended principal and interest payments for the next eight years. The loan may be prepaid in whole at any time upon providing at least 30 days prior written notice and paying the difference between (i) the present value of the loan interest and the principal payments foregone discounted at the Government of Canada Bond Yield for the term from the date of prepayment to April 1, 2024, and (ii) the face value of the principal amount being prepaid. As of December 31, 2016, the Company was in compliance with all of its covenants.

The loan is collateralized by a (i) first-priority security interest in all of the assets of Wheels except the Canadian A/R Assets, (ii) a second-priority security interest in the Canadian A/R Assets, and (iii) a second-priority security interest on all of the Company's assets.

NOTE 7 – STOCKHOLDERS' EQUITY

The Company is authorized to issue 5,000,000 shares of preferred stock, par value at $0.001 per share and 100,000,000 shares of common stock, $0.001 per share.

Series A Preferred Stock

The Company has 839,200 shares of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Shares"), which have a liquidation preference of $25.00 per share. Dividends on the Series A Preferred Shares are cumulative from the date of original issue and are payable on January 31, April 30, July 31 and October 31, as and if declared by the Company's board of directors. If the Company does not pay dividends in full on any two payment dates (whether consecutive or not), the per annum dividend rate will increase an additional 2.0% per annum per $25.00 stated liquidation preference, up to a maximum of 19.0% per annum. If the Company fails to maintain the listing of the Series A Preferred Shares on the NYSE MKT or other exchange for 30 days or more, the per annum dividend rate will increase by an additional 2.0% per annum so long as the listing failure continues. The Series A Preferred Shares require the Company to maintain a Fixed Charge Coverage Ratio of at least 2.0. If the Company is not in compliance with this ratio, then it cannot pay any dividend on its common stock. As of December 31, 2016, the Company was in compliance with this ratio.

Commencing on December 20, 2018, the Company may redeem, at its option, the Series A Preferred Shares, in whole or in part, at a cash redemption price of $25.00 per share plus accrued and unpaid dividends (whether or not declared). Among other things, the Series A Preferred Shares have no stated maturity, are not subject to any sinking fund or other mandatory redemption, and are not convertible into or exchangeable for any of the Company's other securities. Holders of Series A Preferred Shares generally have no voting rights, except if the Company fails to pay dividends on the Series A Preferred Shares for six or more quarterly periods (whether consecutive or not). Under such circumstances, holders of Series A Preferred Shares will be entitled to vote to elect two additional directors to the

Company's board of directors, until all unpaid dividends have been paid or declared and set aside for payment. In addition, certain changes to the terms of the Series A Preferred Shares cannot be made without the affirmative vote of the holders of two-thirds of the outstanding Series A Preferred Shares, voting as a separate class. The Series A Preferred Shares are senior to the Company's common stock with respect to dividends and distributions, including distributions upon liquidation, dissolution or winding up. The Series A Preferred Shares are listed on the NYSE MKT under the symbol "RLGT-PA."

For the six months ended December 31, 2016, the Company's board of directors declared and paid cash dividends to holders of Series A Preferred Shares in the amount of $1.218750 per share, totaling $1,023.

Common Stock

In January 2016, the Company's board of directors authorized the repurchase of up to 5,000,000 shares of the Company's common stock through December 31, 2016. Under the stock repurchase program, the Company was authorized to repurchase, from time-to-time, shares of its outstanding common stock in the open market at prevailing market prices or through privately negotiated transactions as permitted by securities laws and other legal requirements. The program did not obligate the Company to repurchase any specific number of shares and could be suspended or terminated at any time without prior notice. Under this repurchase program, the Company purchased 91,798 shares of its common stock at an average cost of $2.75 per share for an aggregate cost of $253 for the six months ended December 31, 2016. Prior to this fiscal year, there were no purchases of common stock executed under the repurchase program.

NOTE 8 – VARIABLE INTEREST ENTITY AND RELATED PARTY TRANSACTIONS

RLP is owned 40% by RGL and 60% by RCP, a company for which the Chief Executive Officer of the Company is the sole member. RLP is a certified minority business enterprise that was formed for the purpose of providing the Company with a national accounts strategy to pursue corporate and government accounts with diversity initiatives. RCP's ownership interest entitles it to a majority of the profits and distributable cash, if any, generated by RLP. The operations of RLP are intended to provide certain benefits to the Company, including expanding the scope of services offered by the Company and participating in supplier diversity programs not otherwise available to the Company. In the course of evaluating and approving the ownership structure, operations and economics emanating from RLP, a committee consisting of the independent Board member of the Company, considered, among other factors, the significant benefits provided to the Company through association with a minority business enterprise, particularly as many of the Company's largest current and potential customers have a need for diversity offerings. In addition, the committee concluded that the economic relationship with RLP was on terms no less favorable to the Company than terms generally available from unaffiliated third parties.

Certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have the sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties are considered "variable interest entities." RLP qualifies as a variable interest entity and is included in the Company's condensed consolidated financial statements.

RLP recorded $27 and $46 in profits, of which RCP's distributable share was $16 and $28 for the three and six months ended December 31, 2016, respectively. RLP recorded $31 and $56 in profits, of which RCP's distributable share was $19 and $34 for the three and six months ended December 31, 2015, respectively. The non-controlling interest recorded as a reduction of income on the condensed consolidated statements of operations represents RCP's distributive share.

NOTE 9 – FAIR VALUE MEASUREMENTS

The following table sets forth the Company's financial liabilities measured at fair value on a recurring basis:

(In thousands)	Fair Value Measurements as of December 31, 2016	
	Level 3	Total
Contingent consideration	$4,670	$4,670

	Fair Value Measurements as of June 30,

	2016 Level 3	Total
Contingent consideration	$7,485	$7,485

The Company has contingent obligations to transfer cash payments and equity shares to former shareholders of acquired operations in conjunction with certain acquisitions if specified operating results and financial objectives are met over the next four fiscal years. Contingent consideration is measured quarterly at fair value, and any change in the contingent liability is included in the condensed consolidated statements of operations. The Company recorded an increase to contingent consideration of $806 and $1,056 for the three and six months ended December 31, 2016, respectively, and an increase of $598 and $186 for the three and six months ended December 31, 2015, respectively. The change in the current period is principally attributable to a net increase in management's estimates of future earn-out payments through the remainder of its earn-out periods.

The Company uses projected future financial results based on recent and historical data to value the anticipated future earn-out payments. To calculate fair value, the future earn-out payments were discounted using Level 3 inputs. The Company has classified the contingent consideration as Level 3 due to the lack of relevant observable market data over fair value inputs. The Company believes the discount rate used to discount the earn-out payments reflects market participant assumptions. Changes in assumptions and operating results could have a significant impact on the earn-out amount, up to a maximum of $14,428, through earn-out periods measured through November 2019, although there are no maximums on certain earn-out payments. Contingent consideration is net of advances on earn-out payments of $689.

The following table provides a reconciliation of the beginning and ending liabilities for the liabilities measured at fair value using significant unobservable inputs (Level 3):

(In thousands)	Contingent Consideration
Balance as of June 30, 2016	$ 7,485
Contingent consideration paid	(3,871)
Change in fair value	1,056
Balance as of December 31, 2016	$ 4,670

NOTE 10 – PROVISION FOR INCOME TAXES

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Current income tax expense	$1,725	$244	$3,399	$913
Deferred income tax benefit	(236)	(1,872)	(658)	(2,307)
Income tax expense (benefit)	$1,489	$(1,628)	$2,741	$(1,394)

The Company and its wholly owned U.S. subsidiaries file a consolidated Federal income tax return. The Company also files unitary or separate returns in various state, local, and non-U.S. jurisdictions based on state, local and non-U.S. filing requirements. Tax years which remain subject to examination by U.S. authorities are the years ended June 30, 2013 through June 30, 2016. Tax years which remain subject to examination by state authorities are the years ended June 30, 2012 through June 30, 2016. Tax years which remain subject to examination by non-U.S. authorities are the periods ended December 31, 2012 through June 30, 2016. Occasionally acquired entities have tax years that differ from the Company and are still open under the relevant statute of limitations and therefore are subject to potential adjustment.

NOTE 11 – SHARE-BASED COMPENSATION

Stock Awards

The Company grants restricted stock awards and restricted stock units. The Company granted restricted stock awards to certain employees in August 2012. The shares are restricted in transferability for a term of up to five years and are forfeited in the event the employee terminates employment prior to the lapse of the restriction and generally vest ratably over a five year period. The Company began granting restricted stock units to certain employees in October 2016. One unit is equivalent to one share of common stock. The restricted stock units generally vest after three years. The Company recognized share-based compensation expense related to stock awards of $47 for each of the three and six months ended December 31, 2016, respectively, and $1 and $3 for each of the three and six months ended December 31, 2015, respectively.

	Number of Shares	Weighted Average Grant-Date Fair Value
Balance as of June 30, 2016	1,078	$ 1.62
Vested	(1,078)	1.62
Granted	268,936	2.83
Forfeited	(2,771)	2.75
Balance as of December 31, 2016	266,165	$ 2.83

Stock Options

The Company recognized share-based compensation expense related to stock options of $282 and $612 for the three and six months ended December 31, 2016, respectively, and $367 and $756 for the three and six months ended December 31, 2015, respectively. The aggregate intrinsic value of options exercised was $172 and $270 for the three and six months ended December 31, 2016, respectively, and $46 and $327 for the three and six months ended December 31, 2015, respectively.

During the six months ended December 31, 2016, the weighted average fair value per share of employee stock options granted was $1.52. The fair value of each stock option grant is estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six Months Ended December 31, 2016
Risk-free interest rate	1.15%
Expected term	6.5 years
Expected volatility	48.02%
Expected dividend yield	0.00%

The following table summarizes the activity under the plan:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of June 30, 2016	3,855,290	$ 2.95	6.95	$ 2,530
Granted	150,000	3.16	10.00	—
Exercised	(108,196)	1.60	—	—
Forfeited	(201,268)	4.03	—	—
Outstanding as of December 31, 2016	3,695,826	$ 2.93	6.69	$ 4,449
Exercisable as of December 31, 2016	1,841,753	$ 2.19	5.38	$ 3,342

NOTE 12 – CONTINGENCIES

Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business, some of which are in the very early stages of litigation and therefore difficult to judge their potential materiality. For those claims for which the Company can judge the materiality, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. Legal expenses are expensed as incurred. A summary of potential material litigation is as follows.

Ingrid Barahona v. Accountabilities, Inc. d/b/a/ Accountabilities Staffing, Inc., Radiant Global Logistics, Inc. and DBA Distribution Services, Inc. (Ingrid Barahona California Class Action)

On October 25, 2013, plaintiff Ingrid Barahona filed a purported class action lawsuit against RGL, DBA Distribution Services, Inc. ("DBA"), and two third-party staffing companies (collectively, the "Staffing Defendants") with whom Radiant and DBA contracted for temporary employees. In the lawsuit, Ms. Barahona, on behalf of herself and the putative class, seeks damages and penalties under California law, plus interest, attorneys' fees, and costs, along with equitable remedies, alleging that she and the putative class were the subject of unfair and unlawful business practices, including certain wage and hour violations relating to, among others, failure to provide meal and rest periods, failure to pay minimum wages and overtime, and failure to reimburse employees for work-related expenses. Ms. Barahona alleges that she was jointly employed by the staffing companies and Radiant and DBA. Radiant and DBA deny Ms. Barahona's allegations in their entirety, deny that they are liable to Ms. Barahona or the putative class members in any way, and are vigorously defending against these allegations based upon a preliminary evaluation of applicable records and legal standards.

If Ms. Barahona's allegations were to prevail on all claims the Company, as well as its co-defendants, could be liable for uninsured damages in an amount that, while not significant when evaluated against either the Company's assets or current and expected level of annual earnings, could be material when judged against the Company's earnings in the particular quarter in which any such damages arose, if at all. However, based upon the Company's preliminary evaluation of the matter, it does not believe it is likely to incur material damages, if at all, since, among others: (i) the amount of any potential damages remains highly speculative at this stage of the proceedings; (ii) the Company does not believe as a matter of law it should be characterized as Ms. Barahona's employer and codefendant Accountabilities admitted to being the employer of record; (iii) wage and hour class actions of this nature typically settle for amounts significantly less than plaintiffs' demands because of the uncertainly with litigation and the difficulty in taking these types of cases to trial; and (iv) Plaintiff has indicated her desire to resolve this matter through a mediated settlement. Plaintiff admitted in a report to the court that she is unable to prosecute the case because the payroll and personnel records she needs are in the possession of Tri-State and/or Accountabilities, and the case has been stayed as to them pending resolution of their chapter 11 bankruptcy proceedings. In January 2016, the court held a status conference, which was continued until January 2017 so the parties could attempt to obtain the necessary documents. While Radiant has made progress in obtaining documents and records, such documents and records are incomplete in certain respects and the parties continue to dispute whether such complete records exist. The court set another status conference for March 29, 2017 to, among other things, review the status of documents and determine whether discovery should continue. At this time, the Company is unable to express an opinion as to the likely outcome of the matter.

High Protection Company, a Utah Company, Plaintiff v. Professional Air Transportation, LLC, a Utah Limited Liability Company, d/b/a ADCOM, SLC; Radiant Logistics, Inc., a Foreign Corporation; ADCOM World-Wide,, an Operating Division of Radiant Logistics, Inc.; Radiant Global Logistics, Inc., a Foreign Corporation, d/b/a Container Lines; Felipe Lake, an individual, Rubens Correa, an individual; and Does 1-100, Defendants, United States District Court of Utah (Central), Civil Docket No. 2:14-cv-00466-TC-BCW (formerly Salt Lake County, Utah, Case # 140902965)

On or about May 27, 2014, the Company, together with its co-defendants, including certain of its subsidiaries, were sued in the Third Judicial District Court, Salt Lake County, State of Utah. The matter was subsequently removed to the Federal Courts in the United States District Court, for the District of Utah. The lawsuit alleges liability and damages arising from the ocean shipment of five (5) armored vehicles from Jordan to the Kandahar Air Base, Afghanistan, commencing in August, 2011.

On April 10, 2011, the Plaintiff, High Protection Company, was awarded a contract from the United States Army in the amount of $0.7 million for the manufacture and delivery of five armored vehicles. The vehicles were to be delivered to the Kandahar Airfield in Kandahar, Afghanistan, by May 16, 2011. The delivery of the vehicles was delayed into 2013 due to various delays that occurred during the shipping process, including the closing of the border between Pakistan and Afghanistan from November 2011 to July 2012. In June 2013, the United States Army terminated its contract with the Plaintiff. Plaintiff asserted damages against the Company and its co-defendants in excess of $1.0 million, including loss of a $0.7 million contract with the United States Army, demurrage and storage charges now alleged to exceed $0.2 million, and loss of the vehicles.

A mediation took place in early 2016 and the parties were unable to come to a resolution. Subsequent to the mediation, the Company filed a Motion for Summary Judgment with the Court on the basis that the claim is time barred. Additionally, the Court, of its own accord, asked the parties for briefing on the subject of "Jurisdiction."

On January 4, 2017, the parties entered into a Settlement Agreement and Mutual Release, pursuant to which the Company and its co-defendants agreed to pay the Plaintiff the aggregate amount of approximately $0.1 million, which was covered under our insurance policy, and the parties agreed to release all claims related to the lawsuit. The Court

accepted the settlement and the case has been dismissed with prejudice.

Contingent Consideration and Earn-Out Payments

The Company's agreements with respect to previous acquisitions contain future consideration provisions which provide for the selling equity owners to receive additional consideration if specified operating objectives and financial results are achieved in future periods, as defined in their respective agreements. Any changes to the fair value of the contingent consideration are recorded in the condensed consolidated statements of operations. Earn-out payments are generally due annually on November 1, and 90 days following the quarter of the final earn-out period for each respective acquisition.

The following table represents the estimated undiscounted earn-out payments to be paid in each of the following fiscal years:

(In thousands)	2017 (remaining)	2018	2019	2020	Total
Earn-out payments:					
Cash	$ 875	$2,216	$287	$123	$3,501
Equity	292	893	96	41	1,322
Total estimated earn-out payments [1]	$ 1,167	$3,109	$383	$164	$4,823

(1) The Company generally has the right but not the obligation to satisfy a portion of the earn-out payments in common stock.

NOTE 13 – OPERATING AND SEGMENT INFORMATION

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions regarding allocation of resources and assessing performance. The Company's chief operating decision-maker is the Chief Executive Officer. The Company has two operating segments: United States and Canada. Immaterial operations outside of the United States and Canada are reported in the United States segment.

The Company evaluates the performance of the segments primarily based on their respective revenues, net revenues and income from operations. Accordingly, capital expenditures and total assets are not reported in segment results. In addition, the Company has disclosed a corporate segment, which is not an operating segment and includes the costs of the Company's executives, board of directors, professional services such as legal and consulting, amortization of acquired intangible assets and certain other corporate costs associated with operating as a public company. Intercompany transactions have been eliminated in the condensed consolidated balance sheets and statements of operations.

Three Months Ended December 31, 2016 (in thousands):	United States	Canada	Corporate/ Eliminations	Total
Revenues	$175,211	$25,096	$ (1,426)	$198,881
Net revenues	44,778	5,346	—	50,124
Income (loss) from operations	7,116	1,623	(4,314)	4,425
Other income (expense)	251	52	(613)	(310)
Income (loss) before income tax expense	7,367	1,675	(4,927)	4,115
Depreciation and amortization	605	156	2,267	3,028
Technology and equipment, net	10,391	1,350	912	12,653
Goodwill	42,984	19,904	—	62,888
Three Months Ended December 31, 2015 (in thousands):				
Revenues	$180,141	$27,358	$ (1,177)	$206,322
Net revenues	42,568	5,028	—	47,596
Income (loss) from operations	4,584	1,058	(8,199)	(2,557)
Other income (expense)	266	(24)	(1,310)	(1,068)
Income (loss) before income tax expense	4,850	1,034	(9,509)	(3,625)
Depreciation and amortization	1,296	182	1,641	3,119
Technology and equipment, net	10,038	1,634	1,641	13,313
Goodwill	43,215	19,904	—	63,119

Six Months Ended December 31, 2016 (in thousands):	United States	Canada	Corporate/ Eliminations	Total
Revenues	$346,890	$49,898	$ (2,774)	$394,014
Net revenues	88,974	10,159	—	99,133

Income (loss) from operations	13,706	2,562	(8,477)	7,791
Other income (expense)	597	101	(1,248)	(550)
Income (loss) before income tax expense	14,303	2,663	(9,725)	7,241
Depreciation and amortization	1,191	320	4,523	6,034
Technology and equipment, net	10,391	1,350	912	12,653
Goodwill	42,984	19,904	—	62,888
Six Months Ended December 31, 2015 (in thousands):				
Revenues	$369,454	$55,002	$ (2,639)	$421,817
Net revenues	88,452	9,857	—	98,309
Income (loss) from operations	12,536	(631)	(12,809)	(904)
Other income (expense)	371	216	(2,720)	(2,133)
Income (loss) before income tax expense	12,907	(415)	(15,529)	(3,037)
Depreciation and amortization	1,670	354	4,200	6,224
Technology and equipment, net	10,038	1,634	1,641	13,313
Goodwill	43,215	19,904	—	63,119

The Company's revenue generated within the United States consists of any shipment whose origin and destination is within the United States. The following data presents the Company's revenue generated from shipments to and from the United States and all other countries, which is determined based upon the location of a shipment's initiation and destination points:

(in thousands)	United States		Other Countries		Total	
Three Months Ended December 31:	2016	2015	2016	2015	2016	2015
Revenue	$117,834	$116,618	$81,047	$89,704	$198,881	$206,322
Cost of transportation	84,980	93,647	63,777	65,079	148,757	158,726
Net revenue	$32,854	$22,971	$17,270	$24,625	$50,124	$47,596

	United States		Other Countries		Total	
Six Months Ended December 31:	2016	2015	2016	2015	2016	2015
Revenue	$236,576	$242,809	$157,438	$179,008	$394,014	$421,817
Cost of transportation	172,399	194,457	122,482	129,051	294,881	323,508
Net revenue	$64,177	$48,352	$34,956	$49,957	$99,133	$98,309

NOTE 14 – SUBSEQUENT EVENT

On January 13, 2017, the Company's board of directors declared a cash dividend to holders of the Series A Preferred Shares in the amount of $0.609375 per share. The declared dividend totaled $511 and was paid on January 31, 2017.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning set forth in United States securities laws and regulations – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business, financial performance and financial condition, and often contain words such as "anticipate," "believe," "estimates," "expect," "future," "intend," "may," "plan," "see," "seek," "strategy," or "will" or the nega any variation thereon or similar terminology or expressions. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. We have developed our forward-looking statements based on management's beliefs and assumptions, which in turn rely upon information available to them at the time such statements were made. Such forward-looking statements reflect our current perspectives on our business, future performance, existing trends and information as of the date of this report. These include, but are not limited to, our beliefs about future revenue and expense levels, growth rates, prospects related to our strategic initiatives and business strategies, along with express or implied assumptions about, among other things: our continued relationships with our strategic operating partners; the performance of our historic business, as well as the businesses we have recently acquired, at levels consistent with recent trends and reflective of the synergies we believe will be available to us as a result of such acquisitions; our ability to successfully integrate our recently acquired businesses; our ability to locate suitable acquisition opportunities and secure the financing necessary to complete such acquisitions; the occurrence of no adverse developments affecting domestic and international economic, political or competitive conditions within our industry; transportation costs remaining in-line with recent levels and expected trends; our ability to mitigate, to the best extent possible, our dependence on current management and certain of our larger strategic operating partners; the absence of any adverse laws or governmental regulations affecting the transportation industry in general, and our operations in particular; and such other factors that may be identified from time to time in our Securities and Exchange Commission ("SEC") filings and other public announcements including those set forth under the caption "Risk Factors" in our Form 10-K for the year ended June 30, 2016. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the foregoing. Readers are cautioned not to place undue reliance on our forward-looking statements, as they speak only as of the date made. We disclaim any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

The following discussion and analysis of our financial condition and result of operations should be read in conjunction with the condensed consolidated financial statements and the related notes and other information included elsewhere in this report.

Overview

We operate as a third party logistics company, providing multi-modal transportation and logistics services primarily in the United States and Canada. We service a large and diversified account base consisting of consumer goods, food and beverage, manufacturing and retail customers which we support from an extensive network of over 100 operating locations across North America, as well as an integrated international service partner network located in other key markets around the globe. We provide these services through a multi-brand network including 18 Company-owned offices. As a third party logistics company, we have approximately 10,000 asset-based transportation companies, including motor carriers, railroads, airlines and ocean lines, in our carrier network. We believe shippers value our services because we are able to objectively arrange the most efficient and cost-effective means, type and provider of transportation service without undue influence caused by the ownership of transportation assets. In addition, our minimal investment in physical assets affords us the opportunity for a higher return on invested capital and net cash

flows than our asset-based competitors.

Through our operating locations across North America, we offer domestic and international air and ocean freight forwarding services and freight brokerage services including truckload services, less-than-truckload ("LTL") services, and intermodal services, which is the movement of freight in trailers or containers by combination of truck and rail. Our primary business operations involve arranging the shipment, on behalf of our customers, of materials, products, equipment and other goods that are generally larger than shipments handled by integrated carriers of primarily small parcels, such as FedEx, DHL and UPS, including arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. We also provide other value-added logistics services, including customs brokerage and materials management and distribution solutions to complement our core transportation service offering.

We expect to grow our business organically and by completing acquisitions of other companies with complementary geographic and logistics service offerings. Our organic growth strategy will continue to focus on strengthening existing and expanding new customer relationships leveraging the benefit of our new truck brokerage and intermodal service offerings, while continuing our efforts on the organic build-out of our network of strategic operating partner locations. In addition to our focus on organic growth, we continue to search for acquisition candidates that bring critical mass from a geographic and/or purchasing power standpoint along with complementary service offerings to our current platform. As we continue to grow and scale our business, we believe that we are creating density in our trade lanes which creates opportunities for us to more efficiently source and manage our transportation capacity. In addition, we remain focused on leveraging our back-office infrastructure to drive productivity improvement across the organization.

Performance Metrics

Our principal source of income is derived from freight forwarding and freight brokerage services we provide to our customers. As a third party logistics provider, we arrange for the shipment of our customers' freight from point of origin to point of destination. Generally, we quote our customers a turnkey cost for the movement of their freight. Our price quote will often depend upon the customer's time-definite needs (first day through fifth day delivery), special handling needs (heavy equipment, delicate items, environmentally sensitive goods, electronic components, etc.), and the means of transport (motor carrier, air, ocean or rail). In turn, we assume the responsibility for arranging and paying for the underlying means of transportation.

Our transportation revenue represents the total dollar value of services we sell to our customers. Our cost of transportation includes direct costs of transportation, including motor carrier, air, ocean and rail services. Our net transportation revenue (gross transportation revenue less the direct cost of transportation) is the primary indicator of our ability to source, add value and resell services provided by third parties, and is considered by management to be a key performance measure. In addition, management believes measuring its operating costs as a function of net transportation revenue provides a useful metric, as our ability to control costs as a function of net transportation revenue directly impacts operating earnings.

Our operating results will be affected as acquisitions occur. Since all acquisitions are made using the purchase method of accounting for business combinations, our financial statements will only include the results of operations and cash flows of acquired companies for periods subsequent to the date of acquisition.

Our GAAP-based net income will be affected by non-cash charges relating to the amortization of customer related intangible assets and other intangible assets attributable to completed acquisitions. Under applicable accounting standards, purchasers are required to allocate the total consideration in a business combination to the identified assets acquired and liabilities assumed based on their fair values at the time of acquisition. The excess of the consideration paid over the fair value of the identifiable net assets acquired is to be allocated to goodwill, which is tested at least annually for impairment. Applicable accounting standards require that we separately account for and value certain identifiable intangible assets based on the unique facts and circumstances of each acquisition. As a result of our acquisition strategy, our net income will include material non-cash charges relating to the amortization of customer related intangible assets and other intangible assets acquired in our acquisitions. Although these charges may increase as we complete more acquisitions, we believe we will be growing the value of our intangible assets (e.g., customer relationships). Thus, we believe that earnings before interest, taxes, depreciation and amortization, or EBITDA, is a useful financial measure for investors because it eliminates the effect of these non-cash costs and provides an important metric for our business.

EBITDA is a non-GAAP measure of income and does not include the effects of preferred stock dividends, interest and taxes, and excludes the "non-cash" effects of depreciation and amortization on long-term assets. Companies have some

discretion as to which elements of depreciation and amortization are excluded in the EBITDA calculation. We exclude all depreciation charges related to technology and equipment, all amortization charges (including amortization of leasehold improvements), and other intangible assets. We then further adjust EBITDA to exclude changes in contingent consideration, expenses specifically attributable to acquisitions, severance and lease termination costs, foreign exchange gains and losses, extraordinary items, share-based compensation expense, non-recurring litigation expenses, and other non-cash charges. Adjusted EBITDA is then normalized by excluding non-recurring transition costs. While management considers EBITDA, adjusted EBITDA, and normalized adjusted EBITDA useful in analyzing our results, it is not intended to replace any presentation included in our condensed consolidated financial statements.

Our operating results are also subject to seasonal trends when measured on a quarterly basis. The impact of seasonality on our business will depend on numerous factors, including the markets in which we operate, holiday seasons, consumer demand and economic conditions. Since our revenue is largely derived from customers whose shipments are dependent upon consumer demand and just-in-time production schedules, the timing of our revenue is often beyond our control. Factors such as shifting demand for retail goods and/or manufacturing production delays could unexpectedly affect the timing of our revenue. As we increase the scale of our operations, seasonal trends in one area of our business may be offset to an extent by opposite trends in another area. We cannot accurately predict the timing of these factors, nor can we accurately estimate the impact of any particular factor, and thus we can give no assurance any historical seasonal patterns will continue in future periods.

Results of Operations

Three months ended December 31, 2016 and 2015 (actual and unaudited)

The following table summarizes transportation revenue, cost of transportation and net transportation revenue by operating segments for the three months ended December 31, 2016 and 2015 (in thousands):

	Three Months Ended December 31, 2016				Three Months Ended December 31, 2015			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Transportation revenue								
Forwarding	$142,906	$423	$ —	$143,329	$143,749	$1,030	$ (120)	$144,659
Brokerage	31,317	23,740	(1,426)	53,631	35,238	25,517	(1,057)	59,698
	174,223	24,163	(1,426)	196,960	178,987	26,547	(1,177)	204,357
Cost of transportation								
Forwarding	101,781	242	—	102,023	105,302	868	(120)	106,050
Brokerage	28,652	19,508	(1,426)	46,734	32,271	21,462	(1,057)	52,676
	130,433	19,750	(1,426)	148,757	137,573	22,330	(1,177)	158,726
Net transportation revenue								
Forwarding	41,125	181	—	41,306	38,447	162	—	38,609
Brokerage	2,665	4,232	—	6,897	2,967	4,055	—	7,022
	43,790	4,413	—	48,203	41,414	4,217	—	45,631
Net transportation margins	25.1 %	18.3 %						