RADIANT LOGISTICS, INC
Form 10-Q
February 08, 2018

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, 2017

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 Incorporation or Organization)	(IRS Employer 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, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 49,341,907 shares outstanding of the registrant's common stock, par value $.001 per share, as of February 5, 2018.

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RADIANT LOGISTICS, INC.

Condensed Consolidated Balance Sheets

(unaudited)

(In thousands, except share and per share data)	December 31, 2017	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$4,476	$5,808
Accounts receivable, net of allowance of $2,006 and $1,599, respectively	122,900	116,327
Employee and other receivables	215	251
Income tax deposit	1,677	432
Prepaid expenses and other current assets	6,354	6,902
Total current assets	135,622	129,720
Technology and equipment, net	16,131	15,227
Acquired intangibles, net	70,113	74,729
Goodwill	65,389	66,779
Deposits and other assets	3,218	3,085
Total long-term assets	138,720	144,593
Total assets	$290,473	$289,540
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued transportation costs	$82,680	$85,490
Commissions payable	11,202	10,843
Other accrued costs	4,646	4,778
Current portion of notes payable	3,527	3,382
Current portion of contingent consideration	2,400	4,130
Current portion of transition and lease termination liability	1,300	1,210
Other current liabilities	332	143
Total current liabilities	106,087	109,976
Notes payable, net of current portion	44,174	37,040
Contingent consideration, net of current portion	2,625	5,790
Transition and lease termination liability, net of current portion	402	804
Deferred rent liability	940	857
Deferred tax liability	7,538	10,826
Other long-term liabilities	884	782
Total long-term liabilities	56,563	56,099
Total liabilities	162,650	166,075
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; 49,375,185 and 49,177,215 shares issued, and 49,283,387 and 49,085,417 shares outstanding, respectively	31	30
Additional paid-in capital	117,445	116,172
Treasury stock, at cost, 91,798 shares	(253)	(253)
Retained earnings	11,043	7,397
Accumulated other comprehensive income (loss)	(530)	65
Total Radiant Logistics, Inc. stockholders' equity	127,737	123,412
Non-controlling interest	86	53
Total stockholders' equity	127,823	123,465
Total liabilities and stockholders' equity	$ 290,473	$ 289,540

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, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Revenues	$206,714	$198,881	$404,691	$394,014
Cost of transportation	158,846	148,757	310,675	294,881
Net revenues	47,868	50,124	94,016	99,133
Operating partner commissions	19,528	22,957	39,220	46,308
Personnel costs	14,909	12,954	28,902	25,732
Selling, general and administrative expenses	6,856	5,569	13,704	11,350
Depreciation and amortization	3,567	3,028	7,142	6,034
Transition and lease termination costs	—	385	107	862
Change in contingent consideration	190	806	(110)	1,056
Total operating expenses	45,050	45,699	88,965	91,342
Income from operations	2,818	4,425	5,051	7,791
Other income (expense):				
Interest income	9	6	16	11
Interest expense	(811)	(620)	(1,582)	(1,259)
Foreign exchange gain (loss)	(55)	188	(139)	388
Other	96	116	226	310
Total other expense:	(761)	(310)	(1,479)	(550)
Income before income tax provision	2,057	4,115	3,572	7,241
Income tax benefit (expense)	1,840	(1,489)	1,214	(2,741)
Net income	3,897	2,626	4,786	4,500
Less: Net income attributable to non-controlling interest	(56)	(16)	(117)	(28)
Net income attributable to Radiant Logistics, Inc.	3,841	2,610	4,669	4,472
Less: Preferred stock dividends	(511)	(511)	(1,023)	(1,023)
Net income attributable to common stockholders	$3,330	$2,099	$3,646	$3,449
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	210	317	(595)	540
Comprehensive income	$4,107	$2,943	$4,191	$5,040
Net income per common share - basic and diluted	$0.07	$0.04	$0.07	$0.07

Weighted average shares outstanding:				
Basic shares	49,174,789	48,789,684	49,130,167	48,825,598
Diluted shares	50,711,153	49,799,686	50,677,053	49,667,041

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		Common Stock		Additional Paid-in	Treasury	Retained	Accumulated Other Comprehensive Income	Non-Controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Stock	Earnings	(Loss)	Interest	Equity
Balance as of June 30, 2017	839,200	$ 1	49,085,417	$ 30	$ 116,172	$ (253)	$ 7,397	$ 65	$ 53	$ 123,465
Issuance of common stock to former shareholders of acquired operations	—	—	133,082	1	672	—	—	—	—	673
Share-based compensation	—	—	—	—	730	—	—	—	—	730
Cashless exercise of stock options	—	—	64,888	—	(129)	—	—	—	—	(129)
Preferred dividends paid	—	—	—	—	—	—	(1,023)	—	—	(1,023)
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	(84)	(84)
Net income	—	—	—	—	—	—	4,669	—	117	4,786
Comprehensive loss	—	—	—	—	—	—	—	(595)	—	(595)
Balance as of December 31, 2017	839,200	$ 1	49,283,387	$ 31	$ 117,445	$ (253)	$ 11,043	$ (530)	$ 86	$ 127,823

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, 2017	2016
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income	$4,786	$4,500
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
share-based compensation expense	730	660
amortization of intangibles	4,937	4,157
depreciation and leasehold amortization	2,205	1,877
deferred income tax benefit	(3,288)	(658)
amortization of loan fees	123	159
change in contingent consideration	(110)	1,056
transition and lease termination costs	107	44
loss (gain) on disposal of technology and equipment	(19)	4
change in (recovery of) provision for doubtful accounts	407	(17)
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
accounts receivable	(3,243)	(12,586)
employee and other receivables	35	297
income tax deposit	(1,212)	939
prepaid expenses, deposits and other assets	368	2,912
accounts payable and accrued transportation costs	(4,458)	6,592
commissions payable	359	4,944
other accrued costs	(460)	(1,248)
other liabilities	452	2
deferred rent liability	89	57
payment of contingent consideration	(1,474)	(425)
transition and lease termination liability	(264)	(530)
Net cash provided by operating activities	70	12,736
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Acquisitions during the fiscal year	(1,161)	(50)
Purchases of technology and equipment	(3,061)	(2,184)
Proceeds from sale of technology and equipment	68	52
Payments to former shareholders of acquired operations	—	(50)
Net cash used for investing activities	(4,154)	(2,232)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Proceeds from (repayments to) credit facility, net	8,119	(979)
Payments of loan fees	(88)	—
Repayments of notes payable	(1,706)	(1,166)

Purchases of treasury stock	—	(253)
Payments of contingent consideration	(413)	(3,446)
Payments of preferred stock dividends	(1,023)	(1,023)
Distribution to non-controlling interest	(84)	(42)
Payments of employee tax withholdings related to cashless stock option exercises	(129)	(51)
Net cash provided by (used for) financing activities	4,676	(6,960)
Effect of exchange rate changes on cash and cash equivalents	(1,924)	(49)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,332)	3,495
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,808	4,768
CASH AND CASH EQUIVALENTS, END OF PERIOD	$4,476	$8,263
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$3,283	$2,503
Interest paid	$1,444	$1,112

(continued)

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

RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Cash Flows (continued)

(unaudited)

Supplemental disclosure of non-cash investing and financing activities:

In September 2017, the Company issued 10,019 shares of common stock at a fair value of $4.99 per share in satisfaction of $50 of the Sandifer-Valley Transportation & Logistics, Ltd. purchase price, resulting in an increase to common stock and additional paid-in capital of $50.

In November 2017, the Company issued 123,063 shares of common stock at a fair value of $5.06 per share in satisfaction of $623 of various earn-out payments for the period ended June 30, 2017, resulting in a decrease to the current portion of contingent consideration, an increase to common stock of $1 and an increase to additional paid-in capital of $622.

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 to customers based in the United States and Canada. The Company services a large and diversified account base which it supports from an extensive multi-brand network of over 100 operating locations (including 20 Company-owned offices) across North America, as well as an integrated international service partner network located in other key markets around the globe. As a third-party logistics company, the Company has a carrier network of approximately 10,000 asset-based transportation companies, including motor carriers, railroads, airlines and ocean lines. 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 a 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 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 believes that it 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 also 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 consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2017.

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, notes payable 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. 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 $8,356 and $9,238 as of December 31, 2017 and June 30, 2017, 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 strategic operating partner is responsible for some or all of the bad debt expense related to the underlying customers being serviced by such strategic 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 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 account exceed amounts otherwise available in this reserve account. In these circumstances, deficit bad debt reserve accounts, as well as other deficit balances owed to us by strategic operating partners, are recognized as a receivable in the Company’s financial statements. Other strategic operating partners are not required 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 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 strategic 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 determine the fair value of each reporting unit, and compare the fair value to the reporting unit’s carrying amount. As of December 31, 2017, 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, 2017.

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 April 2023. Rent expense is recognized straight line over the term of the lease. Minimum future lease payments (excluding the lease payments included in the transition and 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)	
2018 (remaining)	$4,504
2019	8,690
2020	8,379
2021	7,169
2022	4,684
Thereafter	1,079
Total minimum lease payments	$34,505

Rent expense amounted to $2,226 and $4,368 for the three and six months ended December 31, 2017, respectively, and $1,178 and $2,395 for the three and six months ended December 31, 2016, respectively.

l) Transition and Lease Termination 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. Retention and transition costs consist of retention bonuses expected to be paid, and non-recurring personnel costs identified for elimination in connection with the winding down of Service by Air, Inc. ("SBA").

The transition and lease termination liability consists of the following:

(In thousands)	Lease Termination Costs	Retention Costs	Total
Balance as of June 30, 2017	$ 1,614	$ 400	$ 2,014
Transition and lease termination costs	107	—	107
Payments and other	(356)	(63)	(419)
Balance as of December 31, 2017	$ 1,365	$ 337	$ 1,702

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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 $230 and $425 for the three and six months ended December 31, 2017, respectively, and $186 and $368 for the three and six months ended December 31, 2016, 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 fair 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 $380 and $730 for the three and six months ended December 31, 2017, respectively, and $329 and $660 for the three and six months ended December 31, 2016, 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.

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,	
	2017	2016	2017	2016
Weighted average basic shares outstanding	49,174,789	48,789,684	49,130,167	48,825,598
Dilutive effect of share-based awards	1,536,364	1,010,002	1,546,886	841,443
Weighted average dilutive shares outstanding	50,711,153	49,799,686	50,677,053	49,667,041
Potentially dilutive common shares excluded	1,101,454	2,048,574	1,102,093	2,139,847

r) Foreign Currency Translation

For the Company’s 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) 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 the Company beginning July 1, 2018 and permits the use of either a retrospective or cumulative effect transition method. The Company is in the process of evaluating the adoption impact for each of its services, including any impact on gross versus net revenue recognition. As the Company completes the overall evaluation, it is identifying and preparing to implement changes to its accounting policies, practices, and controls to support the new standard.

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 adoption of this standard will impact the Company’s consolidated financial statements as future minimum lease payments under noncancelable leases totaled approximately $34.5 million as of December 31, 2017.

The Company is currently evaluating the impact that the adoption of this guidance will have on its 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 has approximately $1.8 million of such assets recorded in deposits and other assets in the consolidated balance sheets and is currently evaluating the impact and timing that the adoption of this guidance will have on its consolidated financial statements and related disclosures.

t) Recently Adopted Accounting Pronouncements

In the prior fiscal year, the Company adopted ASU 2016-09, Stock Compensation, ASU 2016-15, Statement of Cash Flows, and ASU 2017-04, Intangibles—Goodwill and Other.

NOTE 3 – BUSINESS ACQUISITIONS

Fiscal Year 2018 Acquisitions

On September 1, 2017, the Company, through a wholly-owned subsidiary, RGL, acquired the operations and assets of Sandifer-Valley Transportation & Logistics, Ltd., a Texas based company providing a full range of domestic and international cross-border services with Mexico. 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 consideration paid, purchase price allocation, and pro forma results of operations and other disclosures have not been presented because the effect of this acquisition was not material to the financial statements. The results of operations for the business acquired are included in the financial statements as of the date of purchase.

The preliminary fair value estimates for the assets acquired and liabilities assumed are based upon preliminary calculations and valuations. The estimates and assumptions are subject to change as additional information is obtained for the estimates during the respective measurement periods (up to one year from the acquisition date). The primary areas of the preliminary estimates not yet finalized relate to certain tangible assets and liabilities acquired, goodwill and identifiable intangible assets.

Fiscal Year 2017 Acquisitions

On April 1, 2017, the Company, through a wholly-owned subsidiary, acquired Lomas Logistics (“Lomas”), a division of L.V. Lomas Limited. Lomas operates as a third-party logistics provider serving companies across a range of industries including consumer goods, healthcare, food, chemicals and technology and operates from locations in Ontario and British Columbia, Canada. The Lomas acquisition was financed with proceeds from the Integrated Private Debt Fund V LP loan (as defined in Note 6). The results of operations for the business acquired are included in the financial statements as of the date of purchase.

On June 1, 2017 the Company, through a wholly-owned subsidiary, acquired the assets and operations of its strategic operating partner Dedicated Logistics Technologies, Inc. (“DLT”), a Newark, New Jersey based company. DLT is expected to transition to the Radiant brand and will combine with existing company owned operations in Newark while maintaining separate facilities in Los Angeles, California. The Company recorded non-recurring transition and lease termination costs of $107 for the six months ended December 31, 2017 associated with the facility consolidation of the former Radiant Newark facility to the DLT location. The DLT acquisition was financed with proceeds from the Company’s Credit Facility (as defined in Note 6). 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 fair value of the contingent consideration was estimated using future projected earnings relative to the corresponding future earn-out payments. To calculate fair value, the future earn-out payments were then discounted using Level 3 inputs. The Company believes the discount rate used to discount the earn-out payments reflect market participant assumptions. The results of operations for the business acquired are included in the financial statements as of the date of purchase.

The results of operations for the businesses acquired are included in the Company’s condensed consolidated financial statements as of the date of purchase. The preliminary fair value estimates for the assets acquired and liabilities assumed are based upon preliminary calculations and valuations. The estimates and assumptions are subject to change as additional information is obtained for the estimates during the respective measurement periods (up to one year from the acquisition date). The primary areas of the preliminary estimates not yet finalized relate to certain tangible assets and liabilities acquired, goodwill and identifiable intangible assets.

During the measurement period, the Company obtained additional information that existed as of the acquisition date resulting in an adjustment for DLT to the preliminary amounts recognized. As of December 31, 2017, the Company recorded a decrease to acquired intangibles of $0.9 million, a decrease to contingent consideration of $2.5 million, and a corresponding decrease to goodwill of $1.7 million. The change in amortization expense related to the prior period was less than $0.1 million.

NOTE 4 – TECHNOLOGY AND EQUIPMENT

(In thousands)	December 31, 2017	June 30, 2017
Computer software	$ 14,411	$ 12,848
Trailers and related equipment	4,269	4,682
Leasehold improvements	2,965	2,363
Office and warehouse equipment	2,727	2,005
Computer equipment	2,016	1,745
Furniture and fixtures	816	788
	27,204	24,431
Less: Accumulated depreciation and amortization	(11,073)	(9,204)
	$ 16,131	$ 15,227

Depreciation and amortization expense related to technology and equipment was $1,124 and $2,205 for the three and six months ended December 31, 2017, respectively, and $945 and $1,877 for the three and six months ended December 31, 2016, respectively. Computer software includes approximately $5,440 and $4,021 of software currently in development as of December 31, 2017 and June 30, 2017, respectively.

NOTE 5 – ACQUIRED INTANGIBLE ASSETS

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

(In thousands)	December 31, 2017	June 30, 2017	Weighted-Average Life
Customer related	$ 96,407	$ 96,106	6.60 years
Trade names and trademarks	14,977	14,977	10.74 years
Covenants not to compete	870	850	2.16 years
	112,254	111,933	
Less: Accumulated amortization	(42,141)	(37,204)	
	$ 70,113	$ 74,729	

Amortization expense amounted to $2,443 and $4,937 for the three and six months ended December 31, 2017, respectively, and $2,083 and $4,157 for the three and six months ended December 31, 2016, respectively. Future amortization expense for each of the next five fiscal years ending June 30 and thereafter are as follows:

(In thousands)	
2018 (remaining)	$4,948
2019	9,802
2020	9,574
2021	9,394
2022	8,841
Thereafter	27,554
	$70,113

NOTE 6 – NOTES PAYABLE

Notes payable consist of the following:

(In thousands)	December 31, 2017	June 30, 2017
Long-term Credit Facility	$ 21,918	$ 13,780
Senior Secured Loans	26,731	27,514
Other notes payable	52	149
Less: Loan issuance costs	(1,000)	(1,021)
Total notes payable	47,701	40,422
Less: Current portion	(3,527)	(3,382)
Total notes payable, net of current portion	$ 44,174	$ 37,040

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

(In thousands)	
2018 (remaining)	$ 1,761
2019	3,591
2020	3,838
2021	4,101
2022	26,300
Thereafter	9,110
	$ 48,701

Bank of America Credit Facility

The Company has a $75.0 million senior credit facility (the "Senior 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 a Second Amendment to Amended and Restated Loan and Security Agreement. The Senior Credit Facility includes a $3.5 million sublimit to support letters of credit and matures July 14, 2022.

Borrowings accrue interest based on the Company's average daily availability at the Lender's base rate plus 0.25% to 0.75% or LIBOR plus 1.25% to 1.75%. The Senior 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 Senior 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 Senior 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 Senior Credit Facility, incur indebtedness from other lenders, and make acquisitions. As of December 31, 2017, the Company was in compliance with all of its covenants.

As of December 31, 2017, based on available collateral and $0.2 million in outstanding letter of credit commitments, there was $50.3 million available for borrowing under the Senior Credit Facility.

Senior Secured Loans

In connection with the Company's acquisition of Wheels International Inc. ("Wheels"), Wheels obtained a CAD$29.0 million senior secured Canadian term loan from Integrated Private Debt Fund IV LP ("IPD IV") pursuant to a CAD$29,000,000 Credit Facilities 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 IV. This amount is recorded as deposits and other assets in the accompanying condensed consolidated financial statements. The Company made interest-only payments for the first 12 months followed by blended principal and interest payments that will be paid through maturity.

In connection with the Company’s acquisition of Lomas, Wheels obtained a CAD$10.0 million senior secured Canadian term loan from Integrated Private Debt Fund V LP pursuant to a CAD$10,000,000 Credit Facilities Loan Agreement. The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on June 1, 2024 and accrues interest at a rate of 6.65% per annum. The loan repayment consists of monthly blended principal and interest payments.

The loans 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 the maturity date, and (ii) the face value of the principal amount being prepaid.

The loans are 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.

As of December 31, 2017, the Company was in compliance with all of its covenants.

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”) issued and outstanding, 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 American 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, 2017, 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 American under the symbol "RLGT-PA."

For the six months ended December 31, 2017, 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.

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 $93 and $195 in profits, of which RCP's distributable share was $56 and $117 for the three and six months ended December 31, 2017, respectively. 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. 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, 2017	
	Level 3	Total
Contingent consideration	$5,025	$5,025

	Fair Value Measurements as of June 30, 2017	
	Level 3	Total
Contingent consideration	$9,920	$9,920

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 $190 and a decrease of $110 for the three and six months ended December 31, 2017, respectively, and an increase of $806 and $1,056 for the three and six months ended December 31, 2016, respectively. The change in the current period is principally attributable to a change 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 then 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 $10.9 million, through earn-out periods measured through August 2021, although there are no maximums on certain earn-out payments. Contingent consideration is net of advances of earn-out payments of $650.

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

(In thousands)	Contingent Consideration
Balance as of June 30, 2017	$ 9,920
Changes related to accounting for acquisition	(2,275)
Contingent consideration paid	(2,510)
Change in fair value	(110)
Balance as of December 31, 2017	$ 5,025

NOTE 10 – PROVISION FOR INCOME TAXES

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Current income tax expense	$937	$1,725	$2,074	$3,399
Deferred income tax benefit	(2,777)	(236)	(3,288)	(658)
Income tax expense (benefit)	$(1,840)	$1,489	$(1,214)	$2,741

The Company's effective tax rate for the three and six months ended December 31, 2017 is lower than the U.S. federal statutory rate primarily due to the provisional deferred income tax benefit resulting from the remeasurement of federal deferred tax liabilities, offset by state income taxes. For the three and six months ended December 31, 2016, the effective tax rate is higher than the U.S. federal statutory rate primarily due to state income taxes and losses in a foreign jurisdiction that is being benefited at a lower foreign rate. The Company does not have any uncertain tax positions and a minimal net operating loss carryover, due to expire primarily in the 2027 fiscal year.

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act contains many significant changes to the U.S. federal income tax laws. The primary impact of the Act in fiscal year 2018 is a reduction of the federal statutory tax rate from 35% to 28.1% (average of a 35% rate for the first half of fiscal year 2018 and 21% rate for the second half of fiscal year 2018). Additionally, the Act requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. As of December 31, 2017, the Company has not completed its accounting for the tax effects of enactment of the Act; however, the Company has made a reasonable estimate of the effects on existing deferred tax balances and the one-time transition tax. The deferred income tax benefit includes a provisional benefit of $2.3 million recognized for those items which the Company could determine a reasonable estimate from the remeasurement of federal deferred tax liabilities resulting from the permanent reduction in the U.S. statutory corporate tax rate from 35% to 21%. The estimated amount of the one-time transition tax is not significant. The final impact of the Act may differ due to and among other things, changes in interpretations, assumptions made, the issuance of additional guidance, and actions the Company may take as a result of the Act.

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, 2014 through June 30, 2017. Tax years which remain subject to examination by state authorities are the years ended June 30, 2013 through June 30, 2017. Tax years which remain subject to examination by non-U.S. authorities are the periods ended December 31, 2014 through June 30, 2017. 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

The Company has two stock-based plans: the 2005 Stock Incentive Plan and the 2012 Stock Option and Performance Award Plan. Each plan authorizes the granting of up to 5,000,000 shares of the Company's common stock. The plans provide for the grant of stock options, stock appreciation rights, shares of restricted stock, restricted stock units, performance shares and performance units. Restricted stock awards and units are equivalent to one share of common stock and generally vest after three years. Options are granted at exercise prices equal to the fair value of the common stock at the date of the grant and have a term of 10 years. Generally, grants under each plan vest 20% annually over a five year period from the date of grant.

Stock Awards

The Company recognized share-based compensation expense related to stock awards of $159 and $240 for the three and six months ended December 31, 2017, respectively, and $47 and $48 for the three and six months ended December 31, 2016, respectively.

The following table summarizes stock award activity under the plans:

	Number of Shares	Weighted Average Grant-Date Fair Value
Balance as of June 30, 2017	258,636	$ 2.86
Granted	251,151	4.97
Forfeited	(8,953)	5.05
Balance as of December 31, 2017	500,834	$ 3.88

Stock Options

The Company recognized share-based compensation expense related to stock options of $221 and $490 for the three and six months ended December 31, 2017, respectively, and $282 and $612 for the three and six months ended December 31, 2016, respectively. The aggregate intrinsic value of options exercised was $432 and $437 for the three and six months ended December 31, 2017, respectively, and $73 and $172 for the three and six months ended December 31, 2016, respectively.

The following table summarizes stock option activity under the plans:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of June 30, 2017	3,351,594	$ 3.02	6.32	$ 8,035
Exercised	(120,810)	1.17	—	—
Forfeited	(90,037)	3.49	—	—
Outstanding as of December 31, 2017	3,140,747	$ 3.08	5.88	$ 5,179
Exercisable as of December 31, 2017	1,949,619	$ 2.54	5.01	$ 4,137

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) Ms. Barahona has indicated her desire to resolve this matter through a mediated settlement. Ms. Barahona 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 ("Debtors"), 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 multiple times so that the parties could attempt to obtain the necessary documents. DBA and the Company informally obtained all records within co-defendants' bankruptcy estate through their trustee's counsel; however, those records were incomplete and did not contain the requisite time, payroll and personnel records. Based on its belief that the debtors have additional records and in an effort to lift the bankruptcy "stay", Ms. Barahona obtained the dismissal of the debtors without prejudice from the state court action. After extensions, the court set a new deadline of March 9, 2018, for Ms. Barahona to file her motion for class certification, and set a further status conference for April 17, 2018, to set a briefing schedule for the motion for class certification. The parties have also scheduled a mediation for April 26, 2018. At this time, the Company is unable to express an opinion as to the likely outcome of the matter.

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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)	2018 (remaining)	2019	2020	2021	2022	Total
Earn-out payments:						
Cash	$ 817	$1,399	$1,202	$875	$188	$4,481
Equity [(1)]	559	375	309	292	62	1,597
Total estimated earn-out payments	$ 1,376	$1,774	$1,511	$1,167	$250	$6,078

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

NOTE 13 – OPERATING AND GEOGRAPHIC 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, 2017 (in thousands):	United States	Canada	Corporate/ Eliminations	Total
Revenues	$179,503	$27,634	$ (423)	$206,714
Net revenues	40,807	7,061	—	47,868
Income (loss) from operations	5,809	1,140	(4,131)	2,818
Other income (expense)	80	(39)	(802)	(761)
Income (loss) before income tax provision	5,889	1,101	(4,933)	2,057
Depreciation and amortization	414	452	2,701	3,567
Technology and equipment, net	12,496	3,453	182	16,131
Transition and lease termination liability	446	1,256	—	1,702
Goodwill	43,991	21,398	—	65,389
Three Months Ended December 31, 2016 (in thousands):				
Revenues	$175,211	$25,096	$ (1,426)	$198,881
Net revenues	44,778	5,346	—	50,124
Income (loss) from operations	7,249	1,623	(4,447)	4,425
Other income (expense)	251	53	(614)	(310)
Income (loss) before income tax provision	7,500	1,676	(5,061)	4,115
Depreciation and amortization	605	156	2,267	3,028
Technology and equipment, net	10,559	1,182	912	12,653
Transition and lease termination costs	385	—	—	385
Transition and lease termination liability	638	1,317	—	1,955
Goodwill	42,984	19,904	—	62,888

Six Months Ended December 31, 2017 (in thousands):	United States	Canada	Corporate/ Eliminations	Total
Revenues	$354,395	$51,201	$ (905)	$404,691
Net revenues	81,390	12,626	—	94,016
Income (loss) from operations	12,117	870	(7,936)	5,051
Other income (expense)	233	(146)	(1,566)	(1,479)
Income (loss) before income tax provision	12,350	724	(9,502)	3,572
Depreciation and amortization	1,063	742	5,337	7,142
Technology and equipment, net	12,496	3,453	182	16,131
Transition and lease termination costs	107	—	—	107
Transition and lease termination liability	446	1,256	—	1,702
Goodwill	43,991	21,398	—	65,389

Six Months Ended December 31, 2016 (in thousands):

Revenues	$346,890	$49,898	$ (2,774)	$394,014
Net revenues	88,974	10,159	—	99,133
Income (loss) from operations	13,843	2,562	(8,614)	7,791
Other income (expense)	597	101	(1,248)	(550)
Income (loss) before income tax provision	14,440	2,663	(9,862)	7,241
Depreciation and amortization	1,191	320	4,523	6,034
Technology and equipment, net	10,559	1,182	912	12,653
Transition and lease termination costs	862	—	—	862
Transition and lease termination liability	638	1,317	—	1,955
Goodwill	42,984	19,904	—	62,888

NOTE 14 – SUBSEQUENT EVENT

On January 12, 2018, 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, 2018.

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 neg 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; our compliance with financial and other covenants under our indebtedness; 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, 2017. 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 (including 20 Company-owned offices) across North America, as well as an integrated international service partner network located in other key markets around the globe. As a third-party logistics company, we have a carrier network of approximately 10,000 asset-based transportation companies, including motor carriers, railroads, airlines and ocean lines. 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 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. Our services include 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 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 to our current platform a critical mass from a geographic and/or purchasing power standpoint along with complementary service offerings. 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). 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, materials management and distribution (“MM&D”) start-up costs 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, 2017 and 2016 (actual and unaudited)

The following table summarizes transportation revenue, cost of transportation and net transportation revenue by geographic operating segments for the three months ended December 31, 2017 and 2016 (in thousands):

	Three Months Ended December 31, 2017				Three Months Ended December 31, 2016			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Transportation revenue								
Forwarding	$147,096	$1,211	$ (297)	$148,010	$142,906	$423	$ (121)	$143,208
Brokerage	31,680	23,470	(126)	55,024	31,317	23,740	(1,305)	53,752
	178,776	24,681	(423)	203,034	174,223	24,163	(1,426)	196,960
Cost of transportation								
Forwarding	109,474	945	(297)	110,122	101,781	242	(121)	101,902
Brokerage	29,222	19,628	(126)	48,724	28,652	19,508	(1,305)	46,855
	138,696	20,573	(423)	158,846	130,433	19,750	(1,426)	148,757
Net transportation revenue								
Forwarding	37,622	266	—	37,888	41,125	181	—	41,306
Brokerage	2,458	3,842	—	6,300	2,665	4,232	—	6,897
	40,080	4,108	—	44,188	43,790	4,413	—	48,203
Net transportation margins	22.4 %	16.6 %		21.8 %	25.1 %	18.3 %		24.5 %
Other value-added services	727	2,953	—	3,680	988	933	—	1,921
Net revenues	$40,807	$7,061	$ —	$47,868	$44,778	$5,346	$ —	$50,124

Forwarding revenue was $148.0 million and $143.2 million for the three months ended December 31, 2017 and 2016, respectively. The increase of $4.8 million, or 3.4%, is primarily attributable to increased project revenues by certain strategic operating partners and increases due to recent acquisitions. Forwarding net transportation revenue was $37.9 million and $41.3 million for three months ended December 31, 2017 and 2016, respectively. The decrease of $3.4 million, or 8.2%, was offset by a corresponding reduction in operating partner commissions. Net forwarding transportation margins decreased from 28.8% to 25.6%, primarily due to competitive market dynamics and shifts in product mix, including a higher than normal frequency of air charters and other significant project work which carried a lower margin than the balance of our forwarding service offerings.

Brokerage revenue was $55.0 million and $53.8 million for the three months ended December 31, 2017 and 2016, respectively. The increase of $1.2 million, or 2.2%, is primarily attributable to higher revenues per shipment passed through to customers due to capacity constraints. Brokerage net transportation revenue was $6.3 million and $6.9 million for the three months ended December 31, 2017 and 2016, respectively. Net brokerage transportation margins decreased from 12.8% to 11.4%, primarily due to competitive market dynamics that resulted in margin compression.

Other value added services were $3.7 million for the three months ended December 31, 2017, compared to $1.9 million for the comparable prior year period. The increase was primarily attributable to the acquisition of Lomas Logistics (“Lomas”) in April 2017.

The following table compares condensed consolidated statements of operations data by operating segment for the three months ended December 31, 2017 and 2016 (in thousands):

	Three Months Ended December 31, 2017				Three Months Ended December 31, 2016			
			Corporate/				Corporate/	
	United States	Canada	Eliminations	Total	United States	Canada	Eliminations	Total
Net revenues	$40,807	$7,061	$ —	$47,868	$44,778	$5,346	$ —	$50,124
Operating partner commissions	19,528	—	—	19,528	22,957	—	—	22,957
Personnel costs	10,637	3,514	758	14,909	9,623	2,602	729	12,954
Selling, general and administrative expenses	4,419	1,955	482	6,856	3,959	965	645	5,569
Depreciation and amortization	414	452	2,701	3,567	605	156	2,267	3,028
Transition and lease termination costs	—	—	—	—	385	—	—	385
Change in contingent consideration	—	—	190	190	—	—	806	806
Total operating expenses	34,998	5,921	4,131	45,050	37,529	3,723	4,447	45,699
Income (loss) from operations	5,809	1,140	(4,131)	2,818	7,249	1,623	(4,447)	4,425
Other income (expense)	80	(39)	(802)	(761)	251	53	(614)	(310)
Income (loss) before income tax provision	5,889	1,101	(4,933)	2,057	7,500	1,676	(5,061)	4,115
Income tax benefit (expense)	—	—	1,840	1,840	—	—	(1,489)	(1,489)
Net income (loss)	5,889	1,101	(3,093)	3,897	7,500	1,676	(6,550)	2,626
Less: Net income attributable to non-controlling interest	(56)	—	—	(56)	(16)	—	—	(16)
Net income (loss) attributable to Radiant Logistics, Inc.	5,833	1,101	(3,093)	3,841	7,484	1,676	(6,550)	2,610
Less: Preferred stock dividends	—	—	(511)	(511)	—	—	(511)	(511)
Net income (loss) attributable to common stockholders	$5,833	$1,101	$ (3,604)	$3,330	$7,484	$1,676	$ (7,061)	$2,099

Operating expenses as a percent of	Three Months Ended December 31, 2017				Three Months Ended December 31, 2016			
			Corporate/				Corporate/	
net revenue:	United States	Canada	Eliminations	Total	United States	Canada	Eliminations	Total

Operating partner commissions	47.9%	0.0%	N/A	40.8%	51.3%	0.0%	N/A	45.8%
Personnel costs	26.1%	49.8%	N/A	31.1%	21.5%	48.7%	N/A	25.8%
Selling, general and administrative expenses	10.8%	27.7%	N/A	14.3%	8.8%	18.1%	N/A	11.1%

Operating partner commissions decreased $3.5 million, or 14.9%, to $19.5 million for the three months ended December 31, 2017 primarily due to a decrease in net forwarding transportation revenues, as well as the acquisition of Dedicated Logistics Technologies, Inc. (“DLT”), which operated as a strategic operating partner in the comparable prior year period.

Personnel costs increased $1.9 million, or 15.1%, to $14.9 million for the three months ended December 31, 2017. The increase is primarily due to the acquisitions of Lomas and DLT.

Selling, general and administrative (“SG&A”) expenses increased $1.3 million, or 23.1%, to $6.9 million for the three months ended December 31, 2017. The increase is primarily attributable to higher facilities, technology and communications costs associated with the acquisitions of Lomas and DLT.

Depreciation and amortization costs increased $0.6 million, or 17.8%, to $3.6 million for the three months ended December 31, 2017, primarily due to increased amortization associated with recent acquisitions.

Transition and lease termination costs decreased $0.4 million. The comparable prior year period amount represents non-recurring personnel costs for Service by Air, Inc. (“SBA”) that were identified for elimination in connection with the winding down of SBA’s historical back-office operations.

Change in contingent consideration represents the change in the fair value of contingent consideration due to former shareholders of acquired operations. The change in the current period is primarily attributable to an increase in management’s estimates of future earn-out payments through the remainder of the respective earn-out periods.

Other expenses increased $0.5 million, or 145.5%, to $0.8 million for the three months ended December 31, 2017. The increase is primarily due to interest expense attributable to borrowings used to fund recent acquisitions, as well as increases in foreign exchange losses.

Our change in net income is driven principally by decreased net revenues and decreased operating expenses, and increased other expenses compared to the comparable prior year period, partially offset by a decrease in income taxes.

Our future financial results may be impacted by amortization of intangibles resulting from acquisitions as well as gains or losses from changes in contingent consideration that are difficult to predict.

The following table provides a reconciliation for the three months ended December 31, 2017 and 2016 of normalized adjusted EBITDA to net income (loss), the most directly comparable GAAP measure in accordance with SEC Regulation G (in thousands):

	Three Months Ended December 31, 2017				Three Months Ended December 31, 2016			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Net revenues	$40,807	$7,061	$ —	$47,868	$44,778	$5,346	$ —	$50,124
Net income (loss) attributable to common stockholders	$5,833	$1,101	$ (3,604)	$3,330	$7,484	$1,676	$ (7,061)	$2,099
Plus: Preferred stock dividends	—	—	511	511	—	—	511	511
Net income (loss) attributable to Radiant Logistics, Inc.	5,833	1,101	(3,093)	3,841	7,484	1,676	(6,550)	2,610
Income tax expense (benefit)	—	—	(1,840)	(1,840)	—	—	1,489	1,489
Depreciation and amortization	414	452	2,701	3,567	605	156	2,267	3,028
Net interest expense	—	—	802	802	—	—	614	614
EBITDA	6,247	1,553	(1,430)	6,370	8,089	1,832	(2,180)	7,741
Share-based compensation	221	35	124	380	240	2	87	329
Change in contingent consideration	—	—	190	190	—	—	806	806
Acquisition related costs	—	—	20	20	—	—	71	71
Litigation costs	—	—	54	54	—	—	77	77
Non-recurring costs	—	—	—	—	—	—	8	8
Transition and lease termination costs	—	—	—	—	22	—	—	22
MM&D Start-up costs	—	63	—	63	—	—	—	—
Foreign exchange loss (gain)	16	39	—	55	(135)	(53)	—	(188)

Adjusted EBITDA	6,484	1,690	(1,042)	7,132	8,216	1,781	(1,131)	8,866
Transition costs	—	—	—	—	363	—	—	363
Normalized Adjusted EBITDA	$6,484	$1,690	$ (1,042)	$7,132	$8,579	$1,781	$ (1,131)	$9,229
Adjusted EBITDA as a % of Net Revenues	15.9 %	23.9 %		14.9 %	18.3 %	33.3 %		17.7 %
Normalized Adjusted EBITDA as a % of Net Revenues	15.9 %	23.9 %		14.9 %	19.2 %	33.3 %		18.4 %

Six months ended December 31, 2017 and 2016 (actual and unaudited)

The following table summarizes transportation revenue, cost of transportation and net transportation revenue by operating segments for the six months ended December 31, 2017 and 2016 (in thousands):

	Six Months Ended December 31, 2017				Six Months Ended December 31, 2016			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Transportation revenue								
Forwarding	$290,696	$2,818	$ (464)	$293,050	$281,625	$1,438	$ (185)	$282,878
Brokerage	61,941	43,287	(441)	104,787	63,175	46,772	(2,589)	107,358
	352,637	46,105	(905)	397,837	344,800	48,210	(2,774)	390,236
Cost of transportation								
Forwarding	215,853	2,254	(464)	217,643	199,992	1,090	(185)	200,897
Brokerage	57,152	36,321	(441)	93,032	57,924	38,649	(2,589)	93,984
	273,005	38,575	(905)	310,675	257,916	39,739	(2,774)	294,881
Net transportation revenue								
Forwarding	74,843	564	—	75,407	81,633	348	—	81,981
Brokerage	4,789	6,966	—	11,755	5,251	8,123	—	13,374
	79,632	7,530	—	87,162	86,884	8,471	—	95,355
Net transportation margins	22.6 %	16.3 %		21.9 %	25.2 %	17.6 %		24.4 %
Other value-added services	1,758	5,096	—	6,854	2,090	1,688	—	3,778
Net revenues	$81,390	$12,626	$ —	$94,016	$88,974	$10,159	$ —	$99,133

Forwarding revenue was $293.1 million and $282.9 million for the six months ended December 31, 2017 and 2016, respectively. The increase of $10.2 million, or 3.6%, is primarily attributable to increased project revenues by certain strategic operating partners and increases due to recent acquisitions. Forwarding net transportation revenue was $75.4 million and $82.0 million for the six months ended December 31, 2017 and 2016, respectively. The decrease of $6.6 million, or 8.0%, and corresponding decrease in net forwarding transportation margins from 29.0% to 25.7%, was primarily due to competitive market dynamics and shifts in product mix, including a higher than normal frequency of air charters and other significant project work which carried a lower margin than the balance of our forwarding service offerings.

Brokerage revenue was $104.8 million and $107.4 million for the six months ended December 31, 2017 and 2016, respectively. The decrease of $2.6 million, or 2.4%, is primarily attributable to general softness in the brokerage markets offset by higher revenues per shipment through to customers due to capacity constraints. Brokerage net transportation revenue was $11.8 million and $13.4 million for the six months ended December 31, 2017 and 2016, respectively. Net brokerage transportation margins decreased from 12.5% to 11.2%, primarily as a result of lower costs of purchased transportation.

Other value added services were $6.9 million for the six months ended December 31, 2017 compared to $3.8 million for the comparable prior year period. The increase was primarily attributable to the acquisition of Lomas in April 2017.

The following table compares condensed consolidated statements of operations data by operating segment for the six months ended December 31, 2017 and 2016 (in thousands):

	Six Months Ended December 31, 2017				Six Months Ended December 31, 2016			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Net revenues	$81,390	$12,626	$ —	$94,016	$88,974	$10,159	$ —	$99,133
Operating partner commissions	39,220	—	—	39,220	46,308	—	—	46,308
Personnel costs	20,461	6,988	1,453	28,902	19,053	5,229	1,450	25,732
Selling, general and administrative expenses	8,422	4,026	1,256	13,704	7,717	2,048	1,585	11,350
Depreciation and amortization	1,063	742	5,337	7,142	1,191	320	4,523	6,034
Transition and lease termination costs	107	—	—	107	862	—	—	862
Change in contingent consideration	—	—	(110)	(110)	—	—	1,056	1,056
Total operating expenses	69,273	11,756	7,936	88,965	75,131	7,597	8,614	91,342
Income (loss) from operations	12,117	870	(7,936)	5,051	13,843	2,562	(8,614)	7,791
Other income (expense)	233	(146)	(1,566)	(1,479)	597	101	(1,248)	(550)
Income (loss) before income tax provision	12,350	724	(9,502)	3,572	14,440	2,663	(9,862)	7,241
Income tax benefit (expense)	—	—	1,214	1,214	—	—	(2,741)	(2,741)
Net income (loss)	12,350	724	(8,288)	4,786	14,440	2,663	(12,603)	4,500
Less: Net income attributable to non-controlling interest	(117)	—	—	(117)	(28)	—	—	(28)
Net income (loss) attributable to Radiant Logistics, Inc.	12,233	724	(8,288)	4,669	14,412	2,663	(12,603)	4,472
Less: Preferred stock dividends	—	—	(1,023)	(1,023)	—	—	(1,023)	(1,023)
Net income (loss) attributable to common	$12,233	$724	$ (9,311)	$3,646	$14,412	$2,663	$ (13,626)	$3,449

stockholders

Selected operating expenses as a percent of net revenue:	Six Months Ended December 31, 2017 United States	Canada	Corporate/ Eliminations	Total	Six Months Ended December 31, 2016 United States	Canada	Corporate/ Eliminations	Total
Operating partner commissions	48.2%	0.0 %	N/A	41.7%	52.0%	0.0 %	N/A	46.7%
Personnel costs	25.1%	55.3 %	N/A	30.7%	21.4%	51.5 %	N/A	26.0%
Selling, general and administrative expenses	10.3%	31.9 %	N/A	14.6%	8.7 %	20.2 %	N/A	11.4%

Operating partner commissions decreased $7.1 million, or 15.3%, to $39.2 million for the six months ended December 31, 2017 due primarily to a decrease in net forwarding transportation revenues, as well as the acquisition of DLT, which operated as a strategic operating partner in the comparable prior year period.

Personnel costs increased $3.2 million, or 12.3%, to $28.9 million for the six months ended December 31, 2017. The increase is primarily due to the acquisitions of Lomas and DLT.

SG&A expenses increased $2.3 million, or 20.7%, to $13.7 million for the six months ended December 31, 2017. The increase is primarily attributable to higher facilities, technology and communications costs associated with the acquisitions of Lomas and DLT. SG&A expenses also includes approximately $0.4 million in start-up costs associated with adding new and reconfiguring existing Canadian facilities to further expand our MM&D solution offering.

Depreciation and amortization costs increased $1.1 million, or 18.4%, to $7.1 million for the six months ended December 31, 2017, primarily due to increased amortization associated with recent acquisitions.

Transition and lease termination costs decreased $0.8 million, or 87.6%, to $0.1 million for the six months ended December 31, 2017. The current year period represents the lease termination costs associated with the facility consolidation of the Company-owned location in New Jersey with the acquisition of DLT. The comparable prior year period amount represents non-recurring personnel costs for SBA that were identified for elimination in connection with the winding down of SBA's historical back-office operations.

Change in contingent consideration represents the change in the fair value of contingent consideration due to former shareholders of acquired operations. The change in the current period is primarily attributable to a decrease in management's estimates of future earn-out payments through the remainder of the respective earn-out periods.

Other expenses increased $0.9 million, or 168.9%, to $1.5 million for the six months ended December 31, 2017. The increase is primarily due to interest expense attributable to borrowings used to fund recent acquisitions, as well as increases in foreign exchange losses.

Our change in net income is driven principally by decreased net revenues and decreased operating expenses, and increased other expenses compared to the comparable prior year period, partially offset by a decrease in income taxes.

Our future financial results may be impacted by amortization of intangibles resulting from acquisitions as well as gains or losses from changes in contingent consideration that are difficult to predict.

The following table provides a reconciliation for the six months ended December 31, 2017 and 2016 of adjusted EBITDA to net income, the most directly comparable GAAP measure in accordance with SEC Regulation G (in thousands):

	Six Months Ended December 31, 2017				Six Months Ended December 31, 2016			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Net revenues	$81,390	$12,626	$ —	$94,016	$88,974	$10,159	$ —	$99,133
Net income (loss) attributable to common stockholders	$12,233	$724	$ (9,311)	$3,646	$14,412	$2,663	$ (13,626)	$3,449
Plus: Preferred stock dividends	—	—	1,023	1,023	—	—	1,023	1,023
Net income (loss) attributable to Radiant Logistics, Inc.	12,233	724	(8,288)	4,669	14,412	2,663	(12,603)	4,472
Income tax expense (benefit)	—	—	(1,214)	(1,214)	—	—	2,741	2,741
Depreciation and amortization	1,063	742	5,337	7,142	1,191	320	4,523	6,034
Net interest expense	—	—	1,566	1,566	—	—	1,248	1,248
EBITDA	13,296	1,466	(2,599)	12,163	15,603	2,983	(4,091)	14,495
Share-based compensation	453	53	224	730	460	2	198	660
Change in contingent consideration	—	—	(110)	(110)	—	—	1,056	1,056
Acquisition related costs	—	—	98	98	—	—	216	216

Litigation costs	—	—	79	79	—	—	113	113
Non-recurring costs	—	—	—	—	—	—	14	14
Lease termination costs	107	—	—	107	25	—	—	25
MM&D Start-up costs	—	410	—	410	—	—	—	—
Foreign exchange loss (gain)	(7)	146	—	139	(293)	(95)	—	(388)
Adjusted EBITDA	13,849	2,075	(2,308)	13,616	15,795	2,890	(2,494)	16,191
Transition costs	—	—	—	—	818	—	—	818
Normalized Adjusted EBITDA	$13,849	$2,075	$(2,308)	$13,616	$16,613	$2,890	$(2,494)	$17,009
Adjusted EBITDA as a % of Net Revenues	17.0 %	16.4 %	N/A	14.5 %	17.8 %	28.4 %	N/A	16.3 %
Normalized Adjusted EBITDA as a % of Net Revenues	17.0 %	16.4 %	N/A	14.5 %	18.7 %	28.4 %	N/A	17.2 %

Liquidity and Capital Resources

Net cash provided by operating activities was $0.1 million and $12.7 million for the six months ended December 31, 2017 and 2016, respectively. The cash used or provided primarily consisted of net income adjusted for depreciation and amortization and changes in accounts receivable, accounts payable, and commissions payable.

Net cash used for investing activities was $4.2 million and $2.2 million for the six months ended December 31, 2017 and 2016, respectively. The primary uses of cash were for acquisitions and purchases of technology and equipment. Cash paid for acquisitions was $1.2 million and $0.1 million for the six months ended December 31, 2017 and 2016, respectively. Cash paid for purchases of technology and equipment was $3.1 million and $2.2 million for the six months ended December 31, 2017 and 2016, respectively.

Net cash provided by financing activities was $4.7 million for the six months ended December 31, 2017, compared to cash used of $7.0 million for the six months ended December 31, 2016. The changes primarily consisted of proceeds from and repayments to the Senior Credit Facility (defined below), payments of loan fees, repayments of notes payable, purchases of treasury stock, payments of contingent consideration, and payments of preferred stock dividends. Proceeds from the Senior Credit Facility were $8.1 million and repayments were $1.0 million for the six months ended December 31, 2017 and 2016, respectively. Payments of loan fees were $0.1 million for the six months ended December 31, 2017. Repayments of notes payable were $1.7 million and $1.2 million for the six months ended December 31, 2017 and 2016, respectively. Purchases of treasury stock were $0.3 million for the six months ended December 31, 2016. Payments of contingent consideration to former shareholders of acquired operations were $0.4 million and $3.4 million for the six months ended December 31, 2017 and 2016, respectively. Payments of preferred stock dividends were $1.0 million for each of the six months ended December 31, 2017 and 2016.

Acquisitions

Our agreements with respect to our prior acquisitions contain future consideration provisions that provide for the prior owners of the acquired entities to receive additional consideration if specified operating objectives and financial results are achieved in future periods. For additional information regarding our acquisitions and potential earn-out payments, see Note 3 and Note 9 to our audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended June 30, 2017, and Note 3 and Note 9 to our unaudited condensed consolidated financial statements contained elsewhere in this report.

Technology

A primary component of our business strategy is the continued development and implementation of advanced information systems to provide accurate and timely information to our management, strategic operating partners and customers. During the year ended June 30, 2017, we spent approximately $4.0 million on enhancing our technology and software systems in order to increase our operating efficiency. We intend to spend in excess of $5.0 million during the fiscal year ended June 30, 2018 in order to continue improving our technology systems, which we expect will include the implementation of a key transportation management system that will, among other things, more fully integrate our systems with our strategic operating partners and any new operations that we may acquire in the future.

Senior Credit Facility

We have the USD$75.0 million senior credit facility (the “Senior Credit Facility”) with Bank of America, N.A. 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). The Senior Credit Facility matures on June 14, 2022 and 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. Advances under the Senior Credit Facility are available for future acquisitions, certain debt repayment and for other corporate purposes. Borrowings under the Senior Credit Facility accrue interest at a variable rate of interest based upon LIBOR and/or one or more other interest rate indices plus an applicable margin. The Senior Credit Facility provides for advances of up to 85% of our 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 co-borrowers of the Senior Credit Facility include the following: (i) with respect to U.S. obligations under the Senior Credit Facility, Radiant Logistics, Inc., Radiant Global Logistics, Inc., Radiant Transportation Services, Inc., Radiant Logistics Partners LLC, Adcom Express, Inc., Radiant Customs Services, Inc., DBA Distribution Services, Inc., International Freight Systems (of Oregon), Inc., Radiant Off-Shore Holdings LLC, Green Acquisition Company, Inc., On Time Express, Inc., Clipper Express Company, Radiant Global Logistics (CA), Service By Air, Inc., Highways and Skyways, Inc., and Radiant Trade Services, Inc.; and (ii) with respect to Canadian obligations under the Senior Credit Facility, Wheels International Inc., 1371482 Ontario Inc., Wheels MSM Canada Inc., 2062698 Ontario Inc., Associate Carriers Canada Inc. and Wheels Associate Carriers Inc. As co-borrowers under the Senior Credit Facility, the accounts receivable of the foregoing entities are eligible for inclusion within the overall borrowing base of the Company and all borrowers are responsible for repayment of the debt associated with applicable advances (U.S. or Canadian) under the Senior Credit Facility. In addition, we and our U.S. subsidiaries guarantee both the U.S. and Canadian obligations under the Senior Credit Facility, while our Canadian subsidiaries guarantee only the Canadian obligations under the Senior Credit Facility.

The terms of the Senior Credit Facility are subject to a financial covenant which may limit the amount otherwise available under such facility. The covenant requires us to maintain a basic fixed charge coverage ratio of at least 1.0 to 1.0 during any period (the "Trigger Period") in which we are in default under the Senior Credit Facility, if total availability falls below $10.0 million or if U.S. availability is less than $6.0 million.

Under the terms of the Senior Credit Facility, we are permitted to make additional acquisitions without the consent of the senior lenders only if certain conditions are satisfied. The conditions imposed by the Senior Credit Facility include the following: (i) the absence of an event of default under the Senior Credit Facility, (ii) the acquisition must be consensual; (iii) the company to be acquired must be in the transportation and logistics industry, located in the United States or certain other approved jurisdictions, and have a positive EBITDA for the 12 month period most recently ended prior to such acquisition, (iv) no debt or liens may be incurred, assumed or result from the acquisition, subject to limited exceptions, (v) after giving effect for the funding of the acquisition, we must have availability under the Senior Credit Facility of at least the greater of 15% of the U.S.-based borrowing base and Canadian-based borrowing base or $15.0 million, and U.S. availability of at least $10.0 million, and (vi) the pro forma fixed charge coverage ratio is at least 1.1 to 1.0. In the event that we are not able to satisfy the conditions of the Senior Credit Facility in connection with a proposed acquisition, we must either forego the acquisition, obtain the consent of the senior lenders, or retire the Senior Credit Facility. This may limit or slow our ability to achieve the critical mass we may need to achieve our strategic objectives.

As of December 31, 2017, we have gross availability of $72.4 million, net of $21.9 million in advances and letter of credit reserves of approximately $0.2 million with approximately $50.3 million in availability under the Senior Credit Facility to support future acquisitions and our ongoing working capital requirements. We expect to structure acquisitions with certain amounts paid at closing, and the balance paid over a number of years in the form of earn-out installments which are payable based upon the future earnings of the acquired businesses payable in cash, stock or some combination thereof. As we continue to execute our acquisition strategy, we will be required to make significant payments in the future if the earn-out installments under our various acquisitions become due. While we believe that a portion of any required cash payments will be generated by the acquired businesses, we may have to secure additional sources of capital to fund the remainder of any cash-based earn-out payments as they become due. This presents us with certain business risks relative to the availability of capacity under our Senior Credit Facility, the availability and pricing of future fund raising, as well as the potential dilution to our stockholders to the extent the earn-outs are satisfied directly, or indirectly, from the sale of equity.

Senior Secured Loan

On April 2, 2015, Wheels International Inc. (“Wheels”) obtained a CAD$29.0 million senior secured Canadian term loan from Integrated Private Debt Fund IV LP (“IPD IV”) pursuant to a CAD$29,000,000 Credit Facilities Loan Agreement (the “IPD IV 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. We made interest-only payments for the first 12 months and will make blended principal and interest through maturity. In connection with the loan, we paid an amount equal to five months of interest payments into a debt service reserve account controlled by IPD IV.

In connection with our acquisition of Lomas, Wheels obtained a CAD$10.0 million senior secured Canadian term loan from Integrated Private Debt Fund V LP (“IPD V,” and together with IPD IV, “IPD”) pursuant to a CAD$10,000,000 Credit Facilities Loan Agreement (the “IPD V Loan Agreement,” and together with the IPD IV Loan Agreement, the “IPD Loan Agreements”). The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on June 1, 2024 and accrues interest at a rate of 6.65% per annum. The loan repayment consists of monthly blended principal and interest payments.

The loans 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 the maturity date, and (ii) the face value of the principal amount being prepaid.

The loans are 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 our assets.

The terms of the loans are subject to certain financial covenants, which require us to maintain (i) a fixed charge coverage ratio of 1.1 to 1.0 during any Trigger Period, (ii) a debt service coverage ratio of at least 1.2 to 1.0 and (iii) a senior debt to EBITDA ratio of at least 3.0 to 1.0.

Under the terms of the IPD Loan Agreements, we are permitted to make additional acquisitions without IPD’s consent only if certain conditions are satisfied, including, among others: (i) the equity interests or property acquired in such acquisition constitute a business reasonably related to our business or the business of Wheels; (ii) no default or event of default shall exist prior to or will be caused as a result of such acquisition; (iii) we or Wheels shall have provided IPD with at least 10 business days prior written notice of such acquisition that must include certain descriptive information and pro forma information regarding the acquisition; (iv) such person whose equity interests or property are being acquired shall have, as of the last day of the most recent fiscal quarter of such person, actual (or pro forma to the extent approved in writing by IPD) positive EBITDA and net income, in each case for the 12 month period ending on such date; (v) the aggregate cash consideration payable at the closing of the acquisition shall not exceed $10.0 million for any single transaction and $25.0 million in the aggregate, in any fiscal year or such greater amount approved in writing by IPD; provided, however, that the foregoing limitation shall exclude cash consideration derived from the proceeds of sales of newly issued equity interests of Radiant during the twelve-month period prior to the closing of such acquisition (as described below); (vi) no debt or liens may be incurred, assumed or result from the acquisition, subject to limited exceptions; (vii) the assets subject to the acquisition are free from all liens except those permitted under the IPD Loan Agreements; (viii) the post-closing U.S. availability under the Senior Credit Facility is at least $10 million on a pro forma basis and (ix) the pro forma fixed charge coverage ratio is at least 1.1 to 1.0.

For additional information regarding our indebtedness, see Note 6 to our audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended June 30, 2017, and Note 6 to our unaudited condensed consolidated financial statements contained elsewhere in this report.

Working Capital

Given our continued focus on the build-out of our network of operating partner locations, we believe that our current working capital and anticipated cash flow from operations are adequate to fund existing operations for the next 12 months. However, continued growth through strategic acquisitions will require additional sources of financing as our existing working capital is not sufficient to finance our operations and an acquisition program. Thus, our ability to finance future acquisitions will be limited by the availability of additional capital. We may, however, finance acquisitions using our common stock as all or some portion of the consideration. In the event that our common stock does not attain or maintain a sufficient market value or potential acquisition candidates are otherwise unwilling to accept our securities as part of the purchase price for the sale of their businesses, we may be required to utilize more of our cash resources, if available, in order to continue our acquisition program. If we do not have sufficient cash resources through either operations or from debt facilities, our growth could be limited unless we are able to obtain such additional capital.

Off Balance Sheet Arrangements

As of December 31, 2017, we did not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, which had been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Recent Accounting Pronouncements

The recent accounting pronouncements are discussed in Note 2 of the “Notes to the Condensed Consolidated Financial Statements” contained elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes from the information previously reported under Part II, Item 7A of our Annual Report on Form 10-K for the year ended June 30, 2017.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

An evaluation of the effectiveness of our “disclosure controls and procedures” (as such term is defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act as of December 31, 2017, was carried out by our management under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Based upon that evaluation, our CEO and CFO concluded that, as of December 31, 2017, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding disclosure.

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we and our operating subsidiaries are involved in claims, proceedings and litigation, arising in the ordinary course of business, including the actions set forth in Item 3 of our Annual Report on Form 10-K for the year ended June 30, 2017. Below are some updates to legal proceedings that have been previously disclosed in our Annual Report on Form 10-K for the year ended June 30, 2017 and supplemented in subsequent filings with the SEC.

Ingrid Barahona v. Accountabilities, Inc. d/b/a Accountabilities Staffing, Inc., Radiant Global Logistics, Inc. and DBA Distribution Services, Superior Court of the State of California, Los Angeles County, Case No. BC525802

Certain deadlines in this case have been extended. Currently, Ms. Barahona is required to submit her motion for class certification by March 9, 2018. The Court has scheduled a status conference for April 17, 2018. The parties have also scheduled a mediation for April 26, 2018. At this time, the Company is unable to express an opinion as to the likely outcome of the matter.

Item 1A. Risk Factors

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended June 30, 2017.

Changes in U.S. tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions.

The Tax Cuts and Jobs Act (the “Act”), was enacted on December 22, 2017. The Act contains many significant changes to the U.S. federal income tax laws. We believe that the primary impact of the Act for us in fiscal year 2018 is a reduction of our federal statutory tax rate from 35% to 28.1% (average of a 35% rate for the first half of fiscal year 2018 and 21% rate for the second half of fiscal year 2018). Additionally, the Act requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. The final impact of the Act may differ due to and among other things, changes in interpretations, assumptions made by us, the issuance of additional guidance, and actions that we may take as a result of the Act. Changes in corporate tax rates, the taxation of foreign earnings, and the deductibility of expenses contained in the Act or other tax reform legislation could result in significant one-time charges in the current or future taxable years, and could have a significant adverse effect on our business, cash flow, results of operations or financial conditions.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit	Method of Filing
31.1	Certification by Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification by Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification by the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition	Filed herewith
101.LAB	XBRL Taxonomy Extension Label	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation	Filed herewith

EXHIBIT INDEX

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32.1	Certification by the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance
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101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

SIGNATURES

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

	RADIANT LOGISTICS, INC.
Date: February 8, 2018	/s/ Bohn H. Crain
	Bohn H. Crain
	Chief Executive Officer
	(Principal Executive Officer)
Date: February 8, 2018	/s/ Todd E. Macomber
	Todd E. Macomber
	Senior Vice President and Chief Financial Officer
	(Principal Financial Officer and Principal Accounting Officer)