

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 (IRS Employer
Incorporation or Organization) Identification No.)

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

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

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

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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.

RADIANT LOGISTICS, INC.

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RADIANT LOGISTICS, INC.

Condensed Consolidated Balance Sheets

(unaudited)

| (In thousands, except share and per share data) | December 31, 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: | | |

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| | | |
|---|------------|------------|
| 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 | | Six Months Ended | |
|---|----------------------|-----------|----------------------|-----------|
| | December 31, 2017 | 2016 | December 31, 2017 | 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 Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non- Controlling Interest | Total Stockholders' Equity |
|--|-----------------|--------|--------------|--------|----------------------------------|-------------------|----------------------|---|---------------------------------|----------------------------------|
| | Shares | Amount | Shares | Amount | | | | | | |
| 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.

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) |

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| | | |
|--|----------------|----------------|
| 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.

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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.

1) 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 | | Total |
|--|-------------------|-----------------|---------|
| | Costs | Retention Costs | |
| 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 |

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 | | Weighted- Average Life |
|--------------------------------|-------------|------------------|------------------------------|
| | 31, 2017 | June 30, 2017 | |
| 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 | |

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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 uncertainty 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.

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.

| | United | | Corporate/ | |
|--|-----------|----------|--------------|-----------|
| Three Months Ended December 31, 2017 (in thousands): | States | Canada | 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 | | | |