RADIANT LOGISTICS, INC
Form 10-Q
November 09, 2016

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 September 30, 2016

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 001-35392

RADIANT LOGISTICS, INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware	04-3625550
(State or Other Jurisdiction of 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 or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

There were 48,789,088 shares issued and outstanding of the registrant's common stock, par value $.001 per share, as of November 4, 2016.

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RADIANT LOGISTICS, INC.

Condensed Consolidated Balance Sheets

(unaudited)

(In thousands, except share and per share data)	September 30, 2016	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,804	$ 4,768
Accounts receivable, net of allowance of $1,852 and $1,806, respectively	114,051	101,035
Employee and other receivables	396	635
Income tax deposit	157	1,525
Prepaid expenses and other current assets	7,440	5,410
Total current assets	129,848	113,373
Technology and equipment, net	12,114	12,453
Acquired intangibles, net	69,917	71,941
Goodwill	62,888	62,888
Deposits and other assets	2,866	2,814
Total long-term assets	135,671	137,643
Total assets	$ 277,633	$ 263,469
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued transportation costs	$ 84,541	$ 75,071
Commissions payable	10,085	8,280
Other accrued costs	5,772	5,331
Due to former shareholders of acquired operations	—	50
Current portion of notes payable	2,419	2,416
Current portion of contingent consideration	3,834	3,387
Current portion of transition and lease termination liability	1,809	1,838
Other current liabilities	122	138
Total current liabilities	108,582	96,511
Notes payable, net of current portion	29,760	28,903
Contingent consideration, net of current portion	3,901	4,098
Transition and lease termination liability, net of current portion	463	658
Deferred rent liability	934	851
Deferred tax liability	12,151	12,525
Other long-term liabilities	1,071	742
Total long-term liabilities	48,280	47,777
Total liabilities	156,862	144,288

Stockholders' equity:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized; 839,200 shares issued and outstanding, liquidation preference of $20,980	1	1
Common stock, $0.001 par value, 100,000,000 shares authorized; 48,880,391 and 48,857,506 shares issued, and 48,788,593 and 48,857,506 shares outstanding, respectively	30	30
Additional paid-in capital	114,692	114,392
Treasury stock, at cost, 91,798 and 0 shares, respectively	(253)	—
Deferred compensation	—	(1)
Retained earnings	5,932	4,581
Accumulated other comprehensive income	319	98
Total Radiant Logistics, Inc. stockholders' equity	120,721	119,101
Non-controlling interest	50	80
Total stockholders' equity	120,771	119,181
Total liabilities and stockholders' equity	$277,633	$263,469

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

RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(unaudited)

(In thousands, except share and per share data)	Three Months Ended September 30, 2016	2015
Revenues	$195,133	$215,495
Cost of transportation	146,124	164,782
Net revenues	49,009	50,713
Operating partner commissions	23,351	22,298
Personnel costs	12,778	14,443
Selling, general and administrative expenses	5,782	6,463
Depreciation and amortization	3,006	3,105
Transition and lease termination costs	476	3,163
Change in contingent consideration	250	(412)
Total operating expenses	45,643	49,060
Income from operations	3,366	1,653
Other income (expense):		
Interest income	4	7
Interest expense	(639)	(1,418)
Foreign exchange gain	201	250
Other	194	95
Total other expense:	(240)	(1,066)
Income before income tax expense	3,126	587
Income tax expense	(1,252)	(233)
Net income	1,874	354
Less: Net income attributable to non-controlling interest	(12)	(15)
Net income attributable to Radiant Logistics, Inc.	1,862	339
Less: Preferred stock dividends	(511)	(511)
Net income (loss) attributable to common stockholders	$1,351	$(172)
Other comprehensive income		
Foreign currency translation gain	221	855
Comprehensive income	$1,572	$683
Net income (loss) per common share - basic and diluted	$0.03	$—

Weighted average shares outstanding:		
Basic shares	48,861,511	47,375,437
Diluted shares	49,534,395	47,375,437

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 and per share data)	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional Paid-in Capital	Treasury Stock	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total Stockholders' Equity
Balance as of June 30, 2016	839,200	$ 1	48,857,506	$ 30	$ 114,392	$ —	$ (1)	$ 4,581	$ 98	$ 80	$ 119,181
Repurchase of common stock	—	—	(91,798)		—	(253)	—	—	—	—	(253)
Share-based compensation	—	—	—	—	330	—	—	—	—	—	330
Amortization of deferred compensation	—	—	—	—	—	—	1	—	—	—	1
Cashless exercise of stock options	—	—	22,885	—	(30)	—	—	—	—	—	(30)
Preferred dividends paid	—	—	—	—	—	—	—	(511)	—	—	(511)
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(42)	(42)
Net income	—	—	—	—	—	—	—	1,862	—	12	1,874
Comprehensive income	—	—	—	—	—	—	—	—	221	—	221
Balance as of September 30, 2016	839,200	$ 1	48,788,593	$ 30	$ 114,692	$ (253)	$ —	$ 5,932	$ 319	$ 50	$ 120,771

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)	Three Months Ended September 30, 2016	2015
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income	$1,874	$354
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
share-based compensation expense	331	390
amortization of intangibles	2,074	2,195
depreciation and leasehold amortization	932	910
Deferred income tax benefit	(422)	(435)
amortization of loan fees	80	101
change in contingent consideration	250	(412)
transition and lease termination costs	21	2,522
loss on disposal of technology and equipment	9	54
change in (recovery of) provision for doubtful accounts	46	(178)
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
accounts receivable	(13,294)	1,121
employee and other receivables	239	(98)
income tax deposit	1,380	(1,585)
prepaid expenses, deposits and other assets	(2,129)	1,793
accounts payable and accrued transportation costs	9,642	(1,185)
commissions payable	1,805	(445)
other accrued costs	451	(377)
other liabilities	327	268
deferred rent liability	85	(232)
transition and lease termination liability	(221)	(121)
Net cash provided by operating activities	3,480	4,640
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Acquisition during the fiscal year	(50)	—
Purchases of technology and equipment	(662)	(995)
Proceeds from sale of technology and equipment	37	66
Payments to former shareholders of acquired operations	(50)	(684)
Net cash used for investing activities	(725)	(1,613)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from (repayments to) credit facility, net of credit fees	1,712	(37,708)
Repayments of notes payable	(585)	(42)
Proceeds from stock offering, net of offering costs	—	38,430

Purchases of treasury stock	(253)	—
Payment of preferred stock dividends	(511)	(511)
Distribution to non-controlling interest	(42)	—
Payments of employee tax withholdings related to cashless stock option exercises	(30)	(86)
Tax benefit from exercise of stock options	—	58
Net cash provided by financing activities	291	141
Effect of exchange rate changes on cash and cash equivalents	(10)	(205)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,036	2,963
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,768	7,268
CASH AND CASH EQUIVALENTS, END OF PERIOD	$7,804	$10,231
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$333	$401
Interest paid	$570	$1,406

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

RADIANT LOGISTICS, INC.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

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

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

The Company

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

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

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

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

Interim Disclosure

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

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

Basis of Presentation

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

d) Cash and Cash Equivalents
For purposes of the statements of cash flows, cash equivalents include all highly liquid investments with original maturities of three months or less that are not securing any corporate obligations. Cash balances may at times exceed federally insured limits. Checks issued by the Company that have not yet been presented to the bank for payment are reported as accounts payable and commissions payable in the accompanying condensed consolidated balance sheets. Accounts payable and commissions payable includes outstanding payments which had not yet been presented to the bank for payment in the amounts of $5,678 and $4,434 as of September 30, 2016 and June 30, 2016, respectively.

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

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

knowledge of specific customers.

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

g) Technology and Equipment

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

h) Goodwill

Goodwill represents the excess of purchase price over the value assigned to the net tangible and identifiable intangible assets of a business acquired. The Company typically performs its annual goodwill impairment test effective as of April 1 of each year, unless events or circumstances indicate impairment may have occurred before that time. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. After assessing qualitative factors, the Company determined that no further testing was necessary. If further testing was necessary, the Company would have performed a two-step impairment test for goodwill. The first step requires the Company to determine the fair value of each reporting unit, and compare the fair value to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform a second more detailed impairment assessment. The second impairment assessment involves allocating the reporting unit's fair value to all of its recognized and unrecognized assets and liabilities in order to determine the implied fair value of the reporting unit's goodwill as of the assessment date. The implied fair value of the reporting unit's goodwill is then compared to the carrying amount of goodwill to quantify an impairment charge as of the assessment date. As of September 30, 2016, management believes there are no indications of impairment.

i) Long-Lived Assets

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

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

The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has performed a review of all long-lived assets and has determined no impairment of the respective carrying value has occurred as of September 30, 2016.

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

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

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

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

(In thousands)	
2017 (remaining portion)	$3,470
2018	3,960
2019	3,289
2020	3,030
2021	2,301
Thereafter	973
Total minimum lease payments	$17,023

Rent expense amounted to $1,217 and $1,228 for the three months ended September 30, 2016 and 2015, respectively.

l) Lease Termination and Transition Costs

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

The transition and lease termination liability consists of the following:

(In thousands)	Lease Termination Costs	Retention and Severance Costs	Non-recurring Personnel Costs	Total
Balance as of June 30, 2016	$ 1,815	$ 681	$ —	$2,496
Lease termination and transitions costs	3	18	455	476
Payments and other	(245)	—	(455)	(700)
Balance as of September 30, 2016	$ 1,573	$ 699	$ —	$2,272

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 plans were $182 and $147 for the three months ended September 30, 2016 and 2015, respectively.

n) Income Taxes

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

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

o) Revenue Recognition and Purchased Transportation Costs

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

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

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

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

p) Share-Based Compensation

The Company has issued restricted stock awards and stock options to certain directors, officers and employees. The Company accounts for share-based compensation under the fair value recognition provisions such that compensation cost is measured at the grant date based on the value of the award and is expensed ratably over the vesting period.

Determining the fair value of share-based awards at the grant date requires judgment about, among other things, stock volatility, the expected life of the award, and other inputs. The Company accounts for forfeitures as they occur. The Company issues new shares of common stock to satisfy exercises and vesting of awards granted under its stock plans.

The Company recorded share-based compensation expense of $331 and $390 for the three months ended September 30, 2016 and 2015, respectively.

q) Basic and Diluted Income Per Share

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

For the three months ended September 30, 2016, the weighted average outstanding number of dilutive common shares totaled 49,534,395 shares of common stock, including unvested restricted stock awards and options to purchase 3,880,012 shares of common stock as of September 30, 2016, of which 2,231,119 were excluded as their effect would have been antidilutive. For the three months ended September 30, 2015, the weighted average outstanding number of dilutive common shares totaled 47,375,437 shares of common stock. Unvested restricted stock awards and options to purchase 4,481,608 shares of common stock were excluded from the diluted income per share for the three months ended September 30, 2015, as there was a net loss and their effect would have been antidilutive.

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

	Three Months Ended September 30,	
	2016	2015
Weighted average basic shares outstanding	48,861,511	47,375,437
Dilutive effect of share-based awards	672,884	—
Weighted average dilutive shares outstanding	49,534,395	47,375,437

r) Foreign Currency Translation
For the Company’s significant foreign subsidiaries that prepare financial statements in currencies other than U.S. dollars, the local currency is the functional currency. All assets and liabilities are translated at period-end exchange rates and all income statement amounts are translated at the weighted average rates for the period. Translation adjustments are recorded in accumulated other comprehensive (loss) income. Gains and losses on transactions of monetary items are recognized in the condensed consolidated statements of operations.

s) Reclassifications
Certain amounts for prior periods have been reclassified in the Company’s condensed consolidated financial statements to conform to the classification used in fiscal year 2017.

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

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

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

u) Recently Adopted Accounting Pronouncements

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

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows, to address eight specific cash flow issues to reduce existing divergence in practice. The guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted. The Company elected early adoption as of July 1, 2016, applied on a retrospective basis. The primary impact to the Company from this ASU is: 1) cash payments for debt prepayment or debt extinguishment are classified as cash outflows for financing activities; 2) cash payments made soon after an acquisition are classified as cash outflows for investing activities. Cash payments made after a business combination up to the amount of contingent consideration initially recorded are classified as cash outflows for financing activities. Any payments in excess of the amount initially recorded are classified as cash outflows from operating activities.. There is no change to the current presentation within the Condensed Consolidated Statements of Cash Flows.

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

NOTE 3 – BUSINESS ACQUISITIONS

Fiscal Year 2016 Acquisition

Copper Logistics, Incorporated

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

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

NOTE 4 – TECHNOLOGY AND EQUIPMENT

(In thousands)	September 30, 2016	June 30, 2016
Vehicles	$ 4,832	$ 4,890
Communication equipment	187	186
Office and warehouse equipment	646	608
Furniture and fixtures	592	581
Computer equipment	1,472	1,416
Computer software	9,107	8,596
Leasehold improvements	1,641	1,648
	18,477	17,925
Less: Accumulated depreciation and amortization	(6,363)	(5,472)
	$ 12,114	$ 12,453

Depreciation and amortization expense related to technology and equipment was $932 and $910 for the three months ended September 30, 2016 and 2015, respectively.

NOTE 5 – ACQUIRED INTANGIBLE ASSETS

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

(In thousands)	September 30, 2016	June 30, 2016	Weighted-Average Life
Customer related	$ 85,874	$ 85,824	7.9 years
Trade names and trademarks	14,069	14,069	13.5 years
Covenants not to compete	740	740	1.3 years
	100,683	100,633	
Less: Accumulated amortization	(30,766)	(28,692)	
	$ 69,917	$ 71,941	

Amortization expense amounted to $2,074 and $2,195 for the three months ended September 30, 2016 and 2015, respectively. Future amortization expense for each of the next five fiscal years ending June 30 and thereafter are as follows:

(In thousands)	
2017 (remaining portion)	$ 6,230
2018	8,245
2019	8,201
2020	8,089
2021	8,026
Thereafter	31,126
	$ 69,917

NOTE 6 – NOTES PAYABLE AND OTHER LONG-TERM DEBT

Notes payable and other long-term debt consist of the following:

(In thousands)	September 30, 2016	June 30, 2016
Long-term Credit Facility	$ 11,460	$ 9,766
Senior Secured Loan	21,209	22,081

Other notes payable	291	338
Less: Loan issuance costs	(781)	(866)
Total notes payable and other long-term debt	32,179	31,319
Less: Current portion	(2,419)	(2,416)
Total notes payable, net of current portion	$ 29,760	$ 28,903

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

(In thousands)	
2017 (remaining portion)	$ 1,801
2018	2,484
2019	13,959
2020	2,670
2021	2,854
Thereafter	9,192
	$ 32,960

Bank of America Credit Facility

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

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

Borrowings are available to fund future acquisitions, capital expenditures, repurchase of Company stock or for other corporate purposes. The terms of the Credit Facility are subject to customary financial and operational covenants, including covenants that may limit or restrict the ability to, among other things, borrow under the Credit Facility, incur indebtedness from other lenders, and make acquisitions. As of September 30, 2016, the Company was in compliance with all of its covenants.

As of September 30, 2016, based on available collateral and $0.4 million in outstanding letter of credit commitments, there was $43.2 million available for borrowing under the Credit Facility, excluding any availability attributable to accounts receivable of SBA.

Senior Secured Loan

In connection with the Company's acquisition of Wheels, Wheels obtained a CAD$29.0 million senior secured Canadian term loan from Integrated Private Debt Fund IV LP ("IPD") pursuant to a CAD$29,000,000 Credit Facilities Loan Agreement (the "IPD Loan Agreement"). The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on April 1, 2024 and accrues interest at a rate of 6.65% per annum. The Company is required to maintain 5 months interest in a debt service reserve account to be controlled by IPD. This amount is recorded as deposits and other assets in the accompanying condensed consolidated financial statements. The loan repayment consists of interest-only payments for the first 12 months followed by blended principal and interest payments for the next eight years. The loan may be prepaid in whole at any time upon providing at least 30 days prior written notice and paying the difference between (i) the present value of the loan interest and the principal payments foregone discounted at the Government of Canada Bond Yield for the term from the date of prepayment to April 1, 2024, and (ii) the face value of the principal amount being prepaid. As of September 30, 2016, the Company was in compliance with all of its covenants.

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

NOTE 7 – STOCKHOLDERS' EQUITY

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

Series A Preferred Stock

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

Commencing on December 20, 2018, the Company may redeem, at its option, the Series A Preferred Shares, in whole or in part, at a cash redemption price of $25.00 per share plus accrued and unpaid dividends (whether or not declared). Among other things, the Series A Preferred Shares have no stated maturity, are not subject to any sinking fund or other mandatory redemption, and are not convertible into or exchangeable for any of the Company's other securities. Holders of Series A Preferred Shares generally have no voting rights, except if the Company fails to pay dividends on the Series A Preferred Shares for six or more quarterly periods (whether consecutive or not). Under such circumstances, holders of Series A Preferred Shares will be entitled to vote to elect two additional directors to the Company's Board of Directors, until all unpaid dividends have been paid or declared and set aside for payment. In addition, certain changes to the terms of the Series A Preferred Shares cannot be made without the affirmative vote of the holders of two-thirds of the outstanding Series A Preferred Shares, voting as a separate class. The Series A Preferred Shares are senior to the Company's common stock with respect to dividends and distributions, including distributions upon liquidation, dissolution or winding up. The Series A Preferred Shares are listed on the NYSE MKT under the symbol "RLGT-PA."

For the three months ended September 30, 2016, the Company's board of directors declared and paid cash dividends to holders of Series A Preferred Shares in the amount of $0.609375 per share, totaling $511.

Common Stock

In January 2016, the Company's board of directors authorized the repurchase of up to 5,000,000 shares of the Company's common stock through December 31, 2016. Under the stock repurchase program, the Company is authorized to repurchase, from time-to-time, shares of its outstanding common stock in the open market at prevailing market prices or through privately negotiated transactions as permitted by securities laws and other legal requirements. The program does not obligate the Company to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice. Under this repurchase program, the Company purchased 91,798 shares of its common stock at an average cost of $2.75 per share for an aggregate cost of $253 for the three months ended September 30, 2016. Prior to this fiscal quarter, there were no purchases of common stock executed under the repurchase program.

NOTE 8 – VARIABLE INTEREST ENTITY AND RELATED PARTY TRANSACTIONS

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

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

For the three months ended September 30, 2016, RLP recorded $20 in profits, of which RCP's distributable share was $12. For the three months ended September 30, 2015, RLP recorded $25 in profits, of which RCP's distributable share was $15. 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 September 30, 2016 Level 3	Total
Contingent consideration	$7,735	$7,735

	Fair Value Measurements as of June 30, 2016 Level 3	Total
Contingent consideration	$7,485	$7,485

The Company has contingent obligations to transfer cash payments and equity shares to former shareholders of acquired operations in conjunction with certain acquisitions if specified operating results and financial objectives are met over the next four fiscal years. Contingent consideration is measured quarterly at fair value, and any change in the contingent liability is included in the condensed consolidated statements of operations. The Company recorded an increase to contingent consideration of $250 and a decrease of $412 for the three months ended September 30, 2016 and 2015, respectively. The change in the current period is principally attributable to a net increase in management's estimates of future earn-out payments through the remainder of its earn-out periods.

The Company uses projected future financial results based on recent and historical data to value the anticipated future earn-out payments. To calculate fair value, the future earn-out payments were 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 $16,009, through earn-out periods measured through November 2019, although there are no maximums on certain earn-out payments. Contingent consideration is net of advances on earn-out payments of $689, and also includes approximately $3.8 million that was earned during fiscal year 2016 and is payable November 2016.

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

(In thousands)	Contingent Consideration
Balance as of June 30, 2016	$ 7,485
Change in fair value	250
Balance as of September 30, 2016	$ 7,735

NOTE 10 – PROVISION FOR INCOME TAXES

(In thousands)	Three Months Ended September 30, 2016	2015
Current income tax expense	$1,674	$668
Deferred income tax benefit	(422)	(435)
Income tax expense	$1,252	$233

The Company's effective tax rate for the three months ended September 30, 2016 and 2015 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 and its wholly owned U.S. subsidiaries file a consolidated Federal income tax return. The Company also files unitary or separate returns in various state, local, and non-U.S. jurisdictions based on state, local and non-U.S. filing requirements. Tax years which remain subject to examination by U.S. authorities are the years ended June 30, 2013 through June 30, 2016. Tax years which remain subject to examination by state authorities are the years ended June 30, 2012 through June 30, 2016. Tax years which remain subject to examination by non-U.S. authorities are the periods ended December 31, 2012 through June 30, 2016. Occasionally acquired entities have tax years that differ from the Company and are still open under the relevant statute of limitations and therefore are subject to potential adjustment.

NOTE 11 – SHARE-BASED COMPENSATION

Stock Awards

The Company granted restricted stock awards to certain employees in August 2012. The shares are restricted in transferability for a term of up to five years and are forfeited in the event the employee terminates employment prior to the lapse of the restriction. The awards generally vest ratably over a five year period. The Company recognized share-based compensation expense related to stock awards of $1 for each of the three months ended September 30, 2016 and 2015. During the three months ended September 30, 2016, there was no change to the 1,078 unvested shares.

Stock Options

For the three months ended September 30, 2016 and 2015, the Company recognized share-based compensation expense related to stock options of $330 and $389, respectively. The aggregate intrinsic value of options exercised was $99 and $280 for the three months ended September 30, 2016 and 2015, respectively.

During the three months ended September 30, 2016, the weighted average fair value per share of employee stock options granted was $1.52. The fair value of each stock option grant is estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended September 30, 2016
Risk-free interest rate	1.15%
Expected term	6.5 years
Expected volatility	48.02%
Expected dividend yield	0.00%

The following table summarizes the activity under the plan:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of June 30, 2016	3,855,290	$ 2.95	6.95	$ 2,530
Granted	150,000	3.16	10.00	—
Exercised	(77,800)	1.69	—	—
Forfeited	(48,556)	4.21	—	—
Outstanding as of September 30, 2016	3,878,934	$ 2.95	6.98	$ 2,119
Exercisable as of September 30, 2016	1,658,505	$ 2.05	5.42	$ 1,751

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 we 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) any settlement will be properly apportioned between all named defendants and Radiant and DBA will not exclusively fund the settlement; (iv) 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 (v) Plaintiff has indicated her desire to resolve this matter through a mediated settlement. Plaintiff admitted in a report to the court that she is unable to prosecute the case because the payroll and personnel records she needs are in the possession of Tri-State and/or Accountabilities, and the case has been stayed as to them pending resolution of their chapter 11 bankruptcy proceedings. In January 2016, the court held a status conference, which has since been continued until December 28, 2016 so the parties can attempt to obtain the necessary documents. DBA and Radiant are currently attempting to obtain the necessary records through the Tri-State and Accountabilities' Trustee. At this time, the Company is unable to express an opinion as to the likely outcome of the matter.

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

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

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

Based upon the Company's preliminary understanding of the claims, it does not believe it is likely to be exposed to damages, or damages that are material, since, among others: (i) the Company is insured for claims of this nature subject to a $1.0 million aggregate limit for all claims made and reported during the policy period (subject to a typical reservation of rights letter received from the Underwriter); (ii) the Company believes the Plaintiff's losses, if any, were due, to a material extent, to its own contributory negligence; and (iii) the Plaintiff's claim should be limited as a result of the limitations upon liability contained within the air bill of lading and other shipping documents used in the transaction.

A mediation took place in early 2016 and the parties were unable to come to a resolution. Subsequent to the mediation, the Company filed a Motion for Summary Judgment with the Court on the basis that the claim is time barred. Additionally, the Court, of its own accord, has asked the parties for briefing on the subject of “Jurisdiction”. The Court will permit additional briefing and additional discovery on both the Motion for Summary Judgment and the subject of Jurisdiction until January 2017. At that time, although no date has yet been set, the Court may request additional oral argument or additional briefing for the purposes of rendering determinations on the Motion for Summary Judgment and the legal issue with respect to Jurisdiction.

Contingent Consideration and Earn-out Payments

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

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

(In thousands)	2017 (remaining)	2018	2019	2020	Total
Earn-out payments:					
Cash	$ 3,836	$2,179	$869	$123	$7,007
Equity	—	726	96	41	863
Total estimated earn-out payments [1]	$ 3,836	$2,905	$965	$164	$7,870

(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 geographic 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 September 30, 2016 (in thousands):	United States	Canada	Corporate/ Eliminations	Total
Revenues	$171,680	$24,801	$ (1,348)	$195,133
Net revenues	44,196	4,813	—	49,009
Income (loss) from operations	6,594	939	(4,167)	3,366
Other income (expense)	346	48	(634)	(240)
Income (loss) before income tax expense	6,940	987	(4,801)	3,126
Depreciation and amortization	585	164	2,257	3,006
Technology and equipment, net	9,541	1,479	1,094	12,114
Goodwill	42,984	19,904	—	62,888

Three months ended September 30, 2015 (in thousands):

Revenues	$189,314	$27,643	$ (1,462)	$215,495
Net revenues	45,885	4,828	—	50,713
Income (loss) from operations	7,953	(1,689)	(4,611)	1,653
Other income (expense)	106	239	(1,411)	(1,066)
Income (loss) before income tax expense	8,059	(1,450)	(6,022)	587
Depreciation and amortization	374	172	2,559	3,105
Technology and equipment, net	9,402	1,791	1,823	13,016
Goodwill	43,185	19,904	—	63,089

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

Three months ended September 30, 2016 (in thousands):	United States	Other Countries	Total
Revenue	$120,612	$ 74,521	$195,133
Cost of transportation	87,488	58,636	146,124
Net revenue	$33,124	$ 15,885	$49,009

Three months ended September 30, 2015 (in thousands):	United States	Other Countries	Total
Revenue	$126,191	$ 89,304	$215,495
Cost of transportation	100,810	63,972	164,782
Net revenue	$25,381	$ 25,332	$50,713

NOTE 14 – SUBSEQUENT EVENT

On October 14, 2016, 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 total declared dividend totaled $511 and was paid on October 31, 2016.

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

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

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

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

Overview

We operate as a third party logistics company, providing multi-modal transportation and logistics services primarily in the United States and Canada. We service a large and diversified account base consisting of consumer goods, food and beverage, manufacturing and retail customers which we support from an extensive network of approximately 140 operating locations across North America, as well as an integrated international service partner network located in other key markets around the globe. We provide these services through a multi-brand network including 18 Company-owned offices. As a third party logistics company, we have approximately 10,000 asset-based transportation companies, including motor carriers, railroads, airlines and ocean lines in our carrier network. We believe shippers value our services because we are able to objectively arrange the most efficient and cost-effective means, type and provider of transportation service without undue influence caused by the ownership of transportation assets. In addition, our minimal investment in physical assets affords us the opportunity for a higher return on invested capital and net cash flows than our asset-based competitors.

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

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

Performance Metrics

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

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

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

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

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

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

Results of Operations

Three months ended September 30, 2016 and 2015 (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 September 30, 2016 and 2015 (in thousands):

	Three months ended September 30, 2016				Three months ended September 30, 2015			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Transportation revenue								
Forwarding	$138,720	$1,015	$(64)	$139,671	$150,043	$1,209	$(60)	$151,192
Brokerage	31,858	23,031	(1,284)	53,605	37,957	25,715	(1,402)	62,270
	170,578	24,046	(1,348)	193,276	188,000	26,924	(1,462)	213,462
Cost of transportation								
Forwarding	98,212	848	(64)	98,996	108,800	1,009	(60)	109,749
Brokerage	29,272	19,140	(1,284)	47,128	34,629	21,806	(1,402)	55,033
	127,484	19,988	(1,348)	146,124	143,429	22,815	(1,462)	164,782
Net transportation revenue								
Forwarding	40,508	167	—	40,675	41,243	200	—	41,443
Brokerage	2,586	3,891	—	6,477	3,328	3,909	—	7,237
	43,094	4,058	—	47,152	44,571	4,109	—	48,680
Net transportation margins	25.3%	16.9%		24.4%	23.7%	15.3%		22.8%
Other value-added services	1,102	755	—	1,857	1,314	719	—	2,033
Net revenues	$44,196	$4,813	$—	$49,009	$45,885	$4,828	$—	$50,713

Forwarding revenue was $139.7 million and $151.2 million for the three months ended September 30, 2016 and 2015, respectively. The decrease of $11.5 million is primarily attributable to a decrease in the price of fuel along with the loss of a significant customer of On Time Express, Inc. (“OTE”) included in the comparable prior period. Forwarding net transportation revenue was $40.7 million for the three months ended September 30, 2016 compared to $41.4 million for the comparable prior year period. Although overall revenues decreased primarily due to a decrease in the price of fuel, which is generally a pass-through item, net revenues were relatively flat while net transportation margins increased from 27.4% to 29.1% over the comparable prior period.

Brokerage revenue was $53.6 million and $62.3 for the three months ended September 30, 2016 and 2015, respectively. The decrease of $8.7 million is primarily attributable to a decrease in the price of fuel along with softness in the market. Brokerage net transportation revenue was $6.5 million and $7.2 million for the three months ended September 30, 2016 and 2015, respectively. Net transportation margins increased from 11.6% to 12.1%, primarily as a result of the decrease in the price of fuel.

Other value added services were $1.9 million for the three months ended September 30, 2016, compared to $2.0 million for the comparable prior year period.

The following table compares condensed consolidated statements of operations data by geographic operating segment for the three months ended September 30, 2016 and 2015 (in thousands):

	Three months ended September 30, 2016				Three months ended September 30, 2015			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Net revenues	$44,196	$4,813	$ —	$49,009	$45,885	$4,828	$ —	$50,713
Operating partner commissions	23,351	—	—	23,351	22,298	—	—	22,298
Personnel costs	9,432	2,627	719	12,778	10,640	2,934	869	14,443
Selling, general and administrative expenses	3,758	1,083	941	5,782	3,453	1,415	1,595	6,463
Depreciation and amortization	585	164	2,257	3,006	374	172	2,559	3,105
Transition and lease termination costs	476	—	—	476	1,167	1,996	—	3,163
Change in contingent consideration	—	—	250	250	—	—	(412)	(412)
Total operating expenses	37,602	3,874	4,167	45,643	37,932	6,517	4,611	49,060
Income (loss) from operations	6,594	939	(4,167)	3,366	7,953	(1,689)	(4,611)	1,653
Other income (expense)	346	48	(634)	(240)	106	239	(1,411)	(1,066)
Income (loss) before income tax expense	6,940	987	(4,801)	3,126	8,059	(1,450)	(6,022)	587
Income tax expense	—	—	(1,252)	(1,252)	—	—	(233)	(233)
Net income (loss)	6,940	987	(6,053)	1,874	8,059	(1,450)	(6,255)	354
Less: Net income attributable to non-controlling interest	(12)	—	—	(12)	(15)	—	—	(15)
Net income (loss) attributable to Radiant Logistics, Inc.	6,928	987	(6,053)	1,862	8,044	(1,450)	(6,255)	339
Less: Preferred stock dividends	—	—	(511)	(511)	—	—	(511)	(511)
Net income (loss) attributable to common stockholders	$6,928	$987	$ (6,564)	$1,351	$8,044	$(1,450)	$ (6,766)	$(172)

Operating partner commissions increased $1.1 million, or 4.7%, to $23.4 million for the three months ended September 30, 2016 primarily due to increased commissions resulting from increases in net revenues from strategic operating partners.

Personnel costs decreased $1.6 million, or 11.5%, to $12.8 million for the three months ended September 30, 2016. The decrease is attributable to workforce reduction at OTE made in connection with the loss of a significant customer in the prior fiscal year, and a reduction in headcount due to a consolidation of operating locations.

Selling, general and administrative (“SG&A”) costs decreased $0.7 million, or 10.6%, to $5.8 million for the three months ended September 30, 2016. The decrease is primarily due to decreases in professional services costs associated with litigation and our recent acquisitions.

Depreciation and amortization costs decreased $0.1 million, or 3.2%, to $3.0 million for the three months ended September 30, 2016.

Transition and lease termination costs decreased $2.7 million, or 84.9%, to $0.5 million for the three months ended September 30, 2016. The decrease is primarily attributable to lease termination costs incurred in the prior period due to the consolidation effort at the Wheels Toronto location and the consolidation of the Service by Air, Inc. (“SBA”) New York-JFK office with our existing Radiant office. The current period amounts are non-recurring personnel costs for Service by Air, Inc. (“SBA”) that are expected to be eliminated 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. Change in contingent consideration increased $0.7 million, or 160.7%, to $0.3 million for the three months ended September 30, 2016. The change in the current period is principally attributable to a net increase in management’s estimates of future earn-out payments through the remainder of the respective earn-out periods.

Other expenses decreased $0.9 million, or 77.5%, to $0.2 million for the three months ended September 30, 2016. The decrease is primarily due to lower interest expense following the retirement of debt used to acquire Wheels.

Our increase in net income was driven principally by decreased, personnel costs, SG&A costs and interest expenses compared to the comparable prior year period, partially offset by an increase in income taxes.

Our future net income may be impacted by increased amortization of intangibles resulting from acquisitions as well as changes in contingent consideration, all of which may result in gains or losses that are difficult to predict.

The following table provides a reconciliation for the three months ended September 30, 2016 and 2015 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 September 30, 2016				Three months ended September 30, 2015			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Net revenues	$44,196	$4,813	$ —	$49,009	$45,885	$4,828	$ —	$50,713
Net income (loss) attributable to common stockholders	$6,928	$987	$ (6,564)	$1,351	$8,044	$(1,450)	$ (6,766)	$(172)
Less: Preferred stock dividends	—	—	511	511	—	—	511	511
Net income (loss) attributable to Radiant Logistics, Inc.	6,928	987	(6,053)	1,862	8,044	(1,450)	(6,255)	339
Income tax expense	—	—	1,252	1,252	—	—	233	233
Depreciation and amortization	585	164	2,257	3,006	374	172	2,559	3,105
Net interest expense	—	—	635	635	—	—	1,411	1,411
EBITDA	7,513	1,151	(1,909)	6,755	8,418	(1,278)	(2,052)	5,088
Share-based compensation	220	—	111	331	199	63	128	390
Change in contingent consideration	—	—	250	250	—	—	(412)	(412)
Acquisition related costs	—	—	145	145	—	279	691	970
Legal costs	—	—	36	36	—	—	291	291
Non-recurring costs	—	—	6	6	—	—	49	49
Lease termination costs	3	—	—	3	176	1,882	—	2,058
Foreign exchange gain	(159)	(42)	—	(201)	(14)	(236)	—	(250)

Adjusted EBITDA	7,577	1,109	(1,361)	7,325	8,779	710	(1,305)	8,184
Transition costs	455	—	—	455	640	—	—	640
Normalized EBITDA	$8,032	$1,109	$ (1,361)	$7,780	$9,419	$710	$ (1,305)	$8,824
As a % of Net Revenues	18.2 %	23.0 %		15.9 %	20.5 %	14.7 %		17.4 %

Liquidity and Capital Resources

Net cash provided by operating activities was $3.5 million for the three months ended September 30, 2016, compared to $4.6 million for the three months ended September 30, 2015. The change was principally driven by our net income adjusted for contingent consideration, transition and lease termination costs, and changes in accounts receivable, accounts payable and commissions payable.

Net cash used for investing activities was $0.7 million for the three months ended September 30, 2016, compared to $1.6 million for the three months ended September 30, 2015. Use of cash for the three months ended September 30, 2016 consisted primarily of $0.7 million of purchases of technology and equipment. Use of cash for the three months ended September 30, 2015 consisted of purchases of $1.0 million in technology and equipment and $0.7 million of payments to former shareholders of acquired operations, offset by $0.1 million of proceeds from the sale of equipment.

Net cash provided by financing activities was $0.3 million for the three months ended September 30, 2016, compared to $0.1 million for the three months ended September 30, 2015. Cash provided for the three months ended September 30, 2016 consisted of proceeds from our credit facility of $1.7 million, offset by payment of preferred stock dividends of $0.5 million, repayments of notes payable of $0.6 million, and purchases of treasury stock of $0.3 million. Cash provided for the three months ended September 30, 2015 consisted of $38.4 million of proceeds from our common stock offering, offset by repayments to our credit facility of $37.7 million, payment of preferred stock dividends of $0.5 million and payments of employee tax withholdings related to net share settlements of stock option exercises of $0.1 million.

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, 2016, 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. This includes a recent upgrade to our accounting system as well as investments in our overall network infrastructure. We intend to spend in excess of $3.0 million during the fiscal year ended June 30, 2017 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 a USD$65.0 million revolving credit facility (the “Senior Credit Facility”) with Bank of America, N.A. (“BofA”) 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 August 9, 2018 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 were used to fund the Wheels acquisition and 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 Exxpress Company, Bluenose Finance LLC, Wheels MSM US, Inc., 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, Radiant Global Logistics, Ltd., Wheels Group 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 ae 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 1.1 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, and (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 20% of the U.S.-based borrowing base and Canadian-based borrowing base or $12.5 million, and U.S. availability of at least $7.5 million. 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 September 30, 2016, we have gross availability of $55.1 million, net of letter of credit reserves of approximately $0.4 million for approximately $43.2 million in availability under the Senior Credit Facility to support future acquisitions and our ongoing working capital requirements, excluding any availability attributable to accounts receivable of SBA. 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 Integrated Private Debt Fund IV LP Term Loan

On April 2, 2015, Wheels obtained a CAD$29.0 million senior secured Canadian term loan from Integrated Private Debt Fund IV LP (“IPD”) pursuant to a $29,000,000 Credit Facilities Loan Agreement (the “IPD Loan Agreement”). The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on April 1, 2024 and accrues interest at a rate of 6.65% per annum. The loan repayment consists of interest-only payments for the first 12 months followed by blended principal and interest payments for the next eight years. The loan may be prepaid in whole at any time upon providing at least 30 days prior written notice and paying the difference between (i) the present value of the loan interest and the principal payments foregone discounted at the Government of Canada Bond Yield for the term from the date of prepayment to April 1, 2024, and (ii) the face value of the principal amount being prepaid. 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.

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

The terms of the loan are subject to certain financial covenants, which require us to maintain (i) a debt service coverage ratio of at least 1.2 to 1.0 and (ii) a senior debt to EBITDA ratio of at least 3.0 to 1.0. In addition, during any Trigger Period, the Company and its U.S. and Canadian subsidiaries must maintain a fixed charge coverage ratio of at least 1.1 to 1.0.

Under the terms of the IPD Loan Agreement, 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 Agreement; and (viii) the post-closing U.S. availability under the Senior Credit Facility is at least $7.5 million on a pro forma basis.

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, 2016, and Note 6 to our unaudited condensed consolidated financial statements contained elsewhere in this report.

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 September 30, 2016, 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, 2016.

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 September 30, 2016, 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 September 30, 2016, 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 Securities and Exchange Commission 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 September 30, 2016 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, the Company and our operating subsidiaries are involved in claims, proceedings and litigation, including the actions set forth in Item 3 of our Annual Report on Form 10-K for the year ended June 30, 2016. 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, 2016 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, Inc. (Ingrid Barahona California Class Action)

The parties were previously scheduled to hold a status conference regarding the case on October 31, 2016. The status conference has since been continued to December 28, 2016.

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, 2016.

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

In January 2016, our board of directors authorized the repurchase of up to 5,000,000 shares of our common stock through December 31, 2016. Under the stock repurchase program, we are authorized to repurchase, from time-to-time, shares of our outstanding common stock in the open market at prevailing market prices or through privately negotiated transactions as permitted by securities laws and other legal requirements. The program does not obligate us to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice. The following table sets forth information regarding our repurchases or acquisitions of common stock during the three months ended September 30, 2016:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
July 1, 2016 through July 31, 2016	—	$ —	—	—
August 1, 2016 through August 31, 2016	—	—	—	—
September 1, 2016 through September 30, 2016	91,798	2.75	91,798	4,908,202
Total	91,798	$ 2.75	91,798	4,908,202

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ITEM 6. EXHIBITS

Exhibit No.	Exhibit	Method of Filing
10.1	Form of Non-qualified Stock Option Award Agreement under the Radiant Logistics, Inc. 2012 Stock Option and Performance Award Plan+	Filed herewith
10.2	Form of Restricted Stock Unit Award Agreement under the Radiant Logistics, Inc. 2012 Stock Option and Performance Award Plan+	Filed herewith
10.3	Form of Non-qualified Stock Option Award Agreement (Director) under the Radiant Logistics, Inc. 2012 Stock Option and Performance Award Plan+	Filed herewith
10.4	Form of Restricted Stock Unit Award Agreement (Director) under the Radiant Logistics, Inc. 2012 Stock Option and Performance Award Plan+	Filed herewith
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

+ Compensatory plans or arrangements

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: November 9, 2016	/s/ Bohn H. Crain Bohn H. Crain Chief Executive Officer (Principal Executive Officer)
Date: November 9, 2016	/s/ Todd E. Macomber Todd E. Macomber Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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