RADIANT LOGISTICS, INC
Form 10-Q
November 09, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2018

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 preceding 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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

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

There were 49,459,188 shares outstanding of the registrant’s common stock, par value $.001 per share, as of November 1, 2018.

RADIANT LOGISTICS, INC.

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RADIANT LOGISTICS, INC.

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)	September 30, 2018 (unaudited)	June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,956	$ 6,992
Accounts receivable, net of allowance of $2,035 and $1,703, respectively	100,444	137,578
Contract assets	27,254	—
Income tax receivable	1,073	2,105
Prepaid expenses and other current assets	8,499	6,599
Total current assets	145,226	153,274
Technology and equipment, net	19,125	18,566
Goodwill	65,389	65,389
Intangible assets, net	63,055	65,264
Deposits and other assets	1,248	2,945
Total other long-term assets	129,692	133,598
Total assets	$ 294,043	$ 305,438
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 80,462	$ 90,153
Operating partner commissions payable	13,869	14,322
Accrued expenses	6,608	5,404
Current portion of notes payable	3,946	3,726
Current portion of contingent consideration	1,100	960
Transition and lease termination liability	1,094	1,385
Other current liabilities	259	295
Total current liabilities	107,338	116,245
Notes payable, net of current portion	41,475	43,197
Contingent consideration, net of current portion	1,380	1,615
Deferred rent liability	987	1,020
Deferred income taxes	8,297	8,665
Other long-term liabilities	367	1,082
Total long-term liabilities	52,506	55,579
Total liabilities	159,844	171,824
Commitments and contingencies (Note 14)		

Stockholders' equity:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized; 839,200 shares issued and outstanding, liquidation preference of $20,980	1	1
Common stock, $0.001 par value, 100,000,000 shares authorized; 49,544,886 and 49,511,907 shares issued, and 49,453,088 and 49,420,109 shares outstanding, respectively	31	31
Additional paid-in capital	118,236	117,968
Treasury stock, at cost, 91,798 shares	(253)	(253)
Retained earnings	16,071	15,539
Accumulated other comprehensive income (loss)	(119)	186
Total Radiant Logistics, Inc. stockholders’ equity	133,967	133,472
Non-controlling interest	232	142
Total equity	134,199	133,614
Total liabilities and equity	$ 294,043	$ 305,438

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

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RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(In thousands, except share and per share data)	Three Months Ended September 30, 2018	2017
Revenues	$218,883	$197,977
Operating expenses:		
Cost of transportation and other services	164,015	152,374
Operating partner commissions	24,828	19,692
Personnel costs	14,545	13,993
Selling, general and administrative expenses	7,124	6,303
Depreciation and amortization	3,633	3,575
Transition and lease termination costs	—	107
Change in fair value of contingent consideration	(95)	(300)
Total operating expenses	214,050	195,744
Income from operations	4,833	2,233
Other income (expense):		
Interest income	12	7
Interest expense	(789)	(771)
Foreign currency transaction gains (losses)	34	(85)
Other	150	130
Total other expense	(593)	(719)
Income before income taxes	4,240	1,514
Income tax expense	(977)	(626)
Net income	3,263	888
Less: net income attributable to non-controlling interest	(180)	(61)
Net income attributable to Radiant Logistics, Inc.	3,083	827
Less: preferred stock dividends	(511)	(511)
Net income allocable to common stockholders	$2,572	$316
Other comprehensive income (loss):		
Foreign currency translation loss	(305)	(805)
Comprehensive income	$2,958	$83
Income per share allocable to common stockholders:		

Basic and Diluted	$0.05	$0.01
Weighted average common shares outstanding:		
Basic	49,437,930	49,085,545
Diluted	50,705,434	50,642,953

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

RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

	RADIANT LOGISTICS, INC. STOCKHOLDERS' EQUITY										
(In thousands, except share and per share data)	Preferred Stock		Common Stock		Additional Paid-in	Treasury	Retained	Accumulated Other Comprehensive Income	Total Radiant Logistics, Inc. Stockholders'	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Stock	Earnings	(Loss)	Equity	Interest	Equity
Balance as of June 30, 2018	839,200	$1	49,420,109	$31	$117,968	$(253)	$15,539	$186	$133,472	$142	$133,614
Cumulative effect adjustment, upon adoption of ASC 606 on July 1, 2018 (Note 2)	—	—	—	—	—	—	(335)	—	(335)	—	(335)
Cumulative effect adjustment, upon adoption of ASU 2016-16 on July 1, 2018 (Note 2)	—	—	—	—	—	—	(1,705)	—	(1,705)	—	(1,705)
Share-based compensation	—	—	—	—	331	—	—	—	331	—	331
Issuance of common stock upon exercise of stock options	—	—	32,979	—	(63)	—	—	—	(63)	—	(63)
Preferred dividends paid	—	—	—	—	—	—	(511)	—	(511)	—	(511)

Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(90)	(90)
Net income	—	—	—	—	—	—	3,083	—	3,083	180	3,263
Other comprehensive loss	—	—	—	—	—	—	—	(305)	(305)	—	(305)
Balance as of September 30, 2018	839,200	$1	49,453,088	$31	$118,236	$(253)	$16,071	$(119)	$133,967	$232	$134,199

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

RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(In thousands, except share and per share data)	Three Months Ended September 30, 2018	2017
OPERATING ACTIVITIES:		
Net income	$3,263	$888
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
share-based compensation	331	350
amortization of intangible assets	2,472	2,494
depreciation and amortization of technology and equipment	1,161	1,081
deferred income tax benefit	(253)	(512)
amortization of debt issuance costs	59	62
change in fair value of contingent consideration	(95)	(300)
transition and lease termination costs	—	107
gain on disposal of technology and equipment	(16)	(4)
change in allowance for doubtful accounts	332	231
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
accounts receivable	4,440	(6,592)
contract assets	6,759	—
income tax receivable	1,055	(233)
prepaid expenses, deposits and other assets	(1,876)	692
accounts payable	(5,488)	(939)
operating partner commissions payable	506	623
accrued expenses	(5,761)	503
other liabilities	(742)	473
deferred rent liability	(29)	112
transition and lease termination liability	(276)	(213)
Net cash provided by (used for) operating activities	5,842	(1,177)
INVESTING ACTIVITIES:		
Payments to acquire businesses	—	(1,025)
Purchases of technology and equipment	(1,134)	(1,383)
Proceeds from sale of technology and equipment	232	41
Net cash used for investing activities	(902)	(2,367)
FINANCING ACTIVITIES:		
Proceeds from (repayments to) credit facility, net	(2,003)	4,975
Payments of debt issuance costs	—	(87)
Repayments of notes payable	(843)	(835)
Payments of preferred stock dividends	(511)	(511)

Distribution to non-controlling interest	(90)	—
Payments of employee tax withholdings related to cashless exercise of stock options	(63)	(2)
Net cash provided by (used for) financing activities	(3,510)	3,540
Effect of exchange rate changes on cash and cash equivalents	(466)	(37)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	964	(41)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,992	5,808
CASH AND CASH EQUIVALENTS, END OF PERIOD	$7,956	$5,767
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$178	$1,404
Interest paid	$735	$701

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

RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Cash Flows (continued)

(unaudited)

Supplemental disclosure of non-cash investing and financing activities:

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

During the three months ended September 30, 2018, the Company acquired $812 of refrigerated trailers financed through a capital lease.

In September 2018, $262 was recorded as an increase to accrued expenses and intangible assets for the purchase of a customer list.

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

RADIANT LOGISTICS, INC.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

(Dollars in thousands, except share and per share data)

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

The Company

Radiant Logistics, Inc. and its consolidated subsidiaries (the "Company") operates as a third-party logistics company, providing multi-modal transportation and logistics services primarily to customers based in the United States and Canada. The Company services a large and diversified account base which it supports from an extensive multi-brand network of over 100 operating locations (including 20 Company-owned offices) across North America as well as an integrated international service partner network located in other key markets around the globe. As a third-party logistics company, the Company has a carrier network of approximately 10,000 asset-based transportation companies, including motor carriers, railroads, airlines and ocean lines. The Company believes shippers value its services because it is able to objectively arrange the most efficient and cost-effective means, type and provider of transportation service since it is not influenced by the ownership of transportation assets. In addition, the Company's minimal investment in physical assets affords it the opportunity for a higher return on invested capital and net cash flows than the Company's asset-based competitors.

Through its operating locations across North America, the Company offers domestic and international air and ocean freight forwarding services and freight brokerage services including truckload services, less than truckload services; and intermodal services, which is the movement of freight in trailers or containers by combination of truck and rail. The Company's primary transportation services involve arranging shipments, 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 supply chain services, including order fulfillment, inventory management, and warehouse and distribution services (collectively, "MM&D" services), and customs brokerage services to complement its core transportation service offering.

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

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

Interim Disclosure

The condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The Company's management believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2018.

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.

NOTE 2 - RECENT ACCOUNTING GUIDANCE

Recent Accounting Guidance Not Yet Adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15 (Subtopic 350-40), Intangibles - Goodwill and Other - Internal-Use Software - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. This ASU aligns the accounting for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for the Company in the first quarter of fiscal year 2021, and early adoption is permitted. The Company is assessing the impact of this guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13), which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for the Company in the first quarter of fiscal 2021, and earlier adoption is permitted. The Company is assessing the impact of this guidance on its consolidated financial statements.

In February 2016 and July 2018, the FASB issued Accounting Standard Update ("ASU") 2016-02 (ASC Topic 842), Leases ASU 2018-10, Codification Improvements to Topic 842, and Leases, ASU 2018-11, Leases (Topic 842), Target improvements, respectively. These ASUs amend a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. Topic 842 is effective for the Company in the first quarter of fiscal year 2020. Companies are required to use a modified retrospective approach on adoption, with the option of applying the requirements of the standard either (1) retrospectively to each prior comparative reporting period presented, or (2) retrospectively at the beginning of the period of adoption, through a cumulative-effect adjustment to retained earnings. The Company is currently evaluating the impact of the standard on its consolidated financial statements and disclosures.

In February 2018, the FASB issued ASU 2018-02 (Topic 220), Income Statement—Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU was issued following the enactment of the U.S. Tax Cuts and Jobs Act of 2017 (the "Tax Act") and permits entities to elect a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. Topic 220 is effective for the Company in the first quarter of fiscal year 2020, and early adoption is permitted. The Company is assessing the impact of this guidance on its consolidated financial statements.

Recently Adopted Accounting Guidance

ASC 606 - Revenue from Contracts with Customers

On July 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606") which superseded existing revenue recognition guidance under U.S. GAAP. The core principle of Accounting Standards Codification ("ASC") 606 is for an entity to recognize revenue to depict the transfer of promised goods or services to its customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires more detailed disclosures to enable users of the financial statements to understand the nature, amount, timing and uncertainty of an entity's revenues and cash flows arising from contracts with customers.

The Company adopted ASC 606 using the modified retrospective method applied to those contracts not completed as of July 1, 2018. Results for reporting periods beginning after July 1, 2018 are presented under ASC 606 while prior period amounts continue to be reported in accordance with ASC 605. The Company recorded a cumulative effect adjustment of $335, net of tax, to decrease the opening balance of retained earnings as of July 1, 2018, for the initial application of ASC 606. The transition adjustment includes primarily certain transportation services transactions with customers that required a change in the timing of when revenue is recognized. The corresponding direct costs of revenue, including primarily purchased transportation costs and commissions, have been expensed as incurred. The Company satisfied a significant majority of the performance obligations for contract liabilities recorded upon the adoption and recognized the corresponding revenues and related direct costs of revenue during the three months ended September 30, 2018.

As stated, the comparative prior period information for the three months ended September 30, 2017 has not been adjusted and continues to be reported under the Company's historical revenue recognition policies as described in Note 2 to the consolidated financial statements in the Annual Report on Form 10-K filed on September 13, 2018.

The details of the significant changes and quantitative impact on the financial statement line items in the consolidated balance sheet as of July 1, 2018 for the adoption of ASC 606 were as follows:

(In thousands)	Balance as of June 30, 2018	Transition Adjustments	Balance as of July 1, 2018
Condensed Consolidated Balance Sheet			
Assets			
Accounts receivable, net of allowance for doubtful accounts	$137,578	$ (32,689)	$104,889
Contract assets	—	34,014	34,014
Liabilities			
Accounts payable	90,153	(3,995)	86,158
Operating partner commissions payable	14,322	(959)	13,363
Contract liabilities	—	6,716	6,716
Deferred income taxes	8,665	(102)	8,563
Equity			
Retained earnings	15,539	(335)	15,204

The tables below summarize the impacts of the application of ASC 606 as compared with ASC 605, the guidance that was in effect before the change on the condensed consolidated statements of operations for the three months ended September 30, 2018 and condensed consolidated balance sheet as of September 30, 2018:

	Three Months Ended September 30, 2018		
(In thousands, except per share data)	As Reported	Adjustments for ASC 606	Balance, ASC 605
Condensed Consolidated Statement of Operations			
Revenues	$218,883	$ (3,152)	$215,731
Operating expenses:			
Cost of transportation and other services	164,015	(2,917)	161,098
Operating partner commissions	24,828	(156)	24,672
Personnel costs	14,545	—	14,545
Selling, general and administrative expenses	7,124	—	7,124
Depreciation and amortization	3,633	—	3,633
Change in fair value of contingent consideration	(95)	—	(95)
Total operating expenses	214,050	(3,073)	210,977
Income from operations	4,833	(79)	4,754
Total other expense	(593)	—	(593)
Income before income taxes	4,240	(79)	4,161
Income tax expense	(977)	19	(958)

Net income	3,263	(60)	3,203
Less: net income attributable to noncontrolling interest	(180)	—	(180)
Net income attributable to Radiant Logistics, Inc.	3,083	(60)	3,023
Less: preferred stock dividends	(511)	—	(511)
Net income allocable to common stockholders	$2,572	$ (60)	$2,512
Income per share allocable to common stockholders			
- Basic and Diluted	$0.05	$ —	$0.05

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(In thousands)	September 30, 2018 As Reported	Adjustments for ASC 606	Balance, ASC 605
Condensed Consolidated Balance Sheet			
Assets			
Accounts receivable, net of allowance	$100,444	$ 24,102	$124,546
Contract assets	27,254	(27,254)	—
Liabilities			
Accounts payable	80,462	(2,917)	77,545
Operating partner commissions payable	13,869	(156)	13,713
Accrued expenses	6,608	—	6,608
Deferred income taxes	8,297	(19)	8,278
Equity			
Retained earnings	16,071	(60)	16,011

The adoption of ASC 606 did not have a material impact on the condensed consolidated statement of cash flows for the three months ended September 30, 2018.

The disclosure requirements of ASC 606 are included within the Company's revised revenue recognition accounting policy in Note 3 below.

ASU 2016-16 – Income Taxes

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory, which provides for the recognition of the income tax consequences on intra-entity asset transfers other than inventory when the transfer occurs.

On July 1, 2018, the Company adopted ASU 2016-16 using the modified retrospective method. The Company recorded a cumulative-effect adjustment of $1,705 directly to the beginning balance of retained earnings and deposits and other assets as of July 1, 2018. The adjustment reflects the recognition of the income tax consequence on the intra-entity transfer of stock of a subsidiary that occurred in a prior year. Under the modified retrospective method, the prior periods in a financial report do not have to be adjusted to reflect the new accounting requirements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

The condensed consolidated financial statements include the accounts of Radiant Logistics, Inc. 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 10), an entity owned by the Company's Chief Executive Officer. All significant intercompany balances and transactions have been eliminated.

Non-controlling interest in the condensed consolidated balance sheets represents the minority stockholders' proportionate share of equity in such subsidiary. Consolidated net income (loss) is allocated to the Company and non-controlling interest (minority stockholder) in proportion to their percentage ownership.

b) 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. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that could differ from these estimates.

c) Cash and Cash Equivalents

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.

d) Accounts Receivable

The Company's receivables are recorded when billed and represent amounts owed by third-party customers, as well as amounts owed by strategic operating partners. 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 an allowance for doubtful accounts to reduce the net recognized receivable to an amount the Company believes will be reasonably collected. The allowance for doubtful accounts is determined from the analysis of the aging of the accounts receivables, historical experience and knowledge of specific customers.

The Company derives a substantial portion of its revenue through independently-owned strategic operating partner locations operating under various Company brands. Each strategic operating partner is responsible for some or all of the collection of the accounts related to the underlying customers being serviced by such strategic operating partner. To facilitate this arrangement, based on contractual agreements, certain strategic operating partners are required to maintain a bad debt reserve in the form of a security deposit with the Company. The Company charges each strategic operating partner's bad debt reserve account for any accounts receivable aged beyond 90 days along with any other amounts owed to the Company by strategic operating partners. However, the bad debt reserve account may carry a deficit balance when amounts charged to this reserve account exceed amounts otherwise available. In these circumstances, a deficit bad debt reserve account is recognized as a receivable in the Company's financial statements. Some strategic operating partners are not required to establish a bad debt reserve; however, they are still responsible to make up for any deficits and the Company may withhold all or a portion of future commissions payable to the strategic operating partner to satisfy any deficit balance. Currently, a number of the Company's strategic operating partners have a deficit balance in their bad debt reserve accounts. The Company expects to replenish these funds through the future business operations of these strategic operating partners or as their customers satisfy the amounts payable to the Company. However, to the extent any of these strategic operating partners were to cease operations or otherwise be unable to replenish these deficit accounts, the Company would be at risk of loss for any such amounts and therefore has reserved for them.

e) Technology and Equipment

Technology and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets. 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 expensed as incurred. Major renewals and improvements are capitalized.

f) Goodwill

Goodwill represents the excess acquisition cost of an acquired entity over the estimated fair values assigned to the net tangible and identifiable intangible assets acquired. The Company typically performs its annual goodwill impairment test effective as of April 1 of each year or more frequently if facts or circumstances indicate that the carrying amount may not be recoverable.

An entity has the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount prior to performing a quantitative impairment test. The qualitative assessment evaluates various factors, such as macro-economic conditions, industry and market conditions, cost factors, relevant events and financial trends that may impact the fair value of the reporting unit. If it is determined that the estimated fair value of the reporting unit is more-likely-than-not less than its carrying amount, including goodwill, a quantitative assessment is required. Otherwise, no further analysis is required.

If a quantitative assessment is performed, a reporting unit’s fair value is compared to its carrying value. A reporting unit’s fair value is determined based upon consideration of various valuation methodologies, including the income approach, which utilizes projected future cash flows discounted at rates commensurate with the risks involved, and multiples of current and future earnings. If the fair value of a reporting unit is less than its carrying amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit. As of September 30, 2018, management believes there are no indications of impairment.

g) Long-Lived Assets
Long-lived assets, such as technology and equipment, and definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company compares the undiscounted expected future cash flows to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent the carrying amount of the asset or asset group exceeds the fair value. Fair values of long-lived assets are determined through various techniques, such as applying probability weighted, expected present value calculations to the estimated future cash flows using assumptions a market participant would utilize, or through the use of a third-party independent appraiser or valuation specialist.

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, 2018. 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.

h) Business Combinations
The Company accounts for business acquisitions using the acquisition method as required by FASB ASC Topic 805, Business Combinations. The assets acquired and liabilities assumed in business combinations, including identifiable intangible assets, are recorded based upon their estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. Acquisition expenses are expensed as incurred. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed as of the acquisition date, the estimates are inherently uncertain and subject to refinement.

The fair values of intangible assets are estimated using a discounted cash flow approach with Level 3 inputs. The estimate of fair value of an intangible asset 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 estimate 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.

For acquisitions that involve contingent consideration, the Company records a liability equal to the fair value of the contingent consideration obligation as of the acquisition date. The Company determines the acquisition date fair value of the contingent consideration based on the likelihood of paying the additional consideration. 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 fair value of the contingent consideration liability is recognized in the condensed consolidated statements of comprehensive income. Amounts are generally due annually on November 1st, and 90 days following the quarter of the final earn-out period of each respective acquisition.

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 adjustment 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 recognized in the consolidated financial statements of comprehensive income.

i) Revenue Recognition (Effective July 1, 2018)

The Company's revenues are primarily from transportation services which includes providing for the arrangement of freight, both domestically and internationally, through modes of transportations such as air freight, ocean freight, truckload, less than truckload and intermodal. The Company generates its transportation services revenue by purchasing transportation from direct carriers and reselling those services to its customers.

In general, each shipment transaction or service order constitutes a separate contract with the customer. A performance obligation is created once a customer agreement with an agreed upon transaction price exists. The transaction price is typically fixed and not contingent upon the occurrence or non-occurrence of any other event. The transaction price is generally due 30 to 45 days from the date of invoice. The Company's transportation transactions provide for the arrangement of the movement of freight to a customer's destination. The transportation services, including certain ancillary services, such as loading/unloading, freight insurance and customs clearance, that is provided to the customer as a single performance obligation. These performance obligations are satisfied and recognized in revenue upon the transfer of control of the services over the requisite transit period as the customer's goods move from origin to destination. The Company determines the period to recognize revenue in transit is based upon the departure date and the delivery date, which may be estimated if delivery has not occurred as of the reporting date. Determination of the transit period and the percentage of completion of the shipment as of the reporting date requires management to make judgments that affect the timing of revenue recognition. The Company has determined that revenue recognition over the transit period provides a reasonable estimate of the transfer of services to its customers as it depicts the pattern of the Company's performance under the contracts with its customers.

The Company also provides warehouse and distribution logistics services for its customers under contracts generally ranging from a few months to five years and include renewal provisions. These warehouse and distribution logistics services contracts provide for inventory management, order fulfilment and warehousing of the Customer's product and arrangement of transportation of the customer's product. The Company's performance obligations are satisfied over time as the customers simultaneously receive and consume the services provided by the Company as it performs. The transaction price is based on the consideration specified in the contract with the customer and contains fixed and variable consideration. In general, the fixed consideration component of a contract represents reimbursement for facility and equipment costs incurred to satisfy the performance obligation and is recognized on a straight-line basis over the term of the contract. The variable consideration component is comprised of cost reimbursement per unit pricing for time and pricing for materials used and is determined based on cost plus a mark-up for hours of services provided and materials used and is recognized over time based on the level of activity volume.

Other services include primarily customs clearance services performed as a single performance obligation. The Company recognizes revenue from this performance obligation at a point in time which is the completion of the services. Duties and taxes collected from the customer and paid to the customs agent on behalf of the customers are excluded from revenue.

The Company uses independent contractors and third-party carriers in the performance of its transportation services. The Company evaluates who controls the transportation services to determine whether its performance obligation is to transfer services to the customer or to arrange for services to be provided by another party. The Company determined it acts as the principal for its transportation services performance obligation since it is in control of establishing the prices for the specified services, managing all aspects of the shipments process and assuming the risk of loss for delivery and collection. Such transportation services revenue is presented on a gross basis in the statement of comprehensive income.

A summary of the Company's gross revenues disaggregated by major service lines and geographic markets (reportable segments), and timing of revenue recognition for the three months ended September 30, 2018 was as follows:

(In thousands)	United States	Canada	Corporate/ Eliminations	Total
Major Service Lines:				
Transportation services	$188,249	$22,936	$ (48)	$211,137
Value added services (1)	2,969	4,777	—	7,746
Total	$191,218	$27,713	$ (48)	$218,883
Timing of Revenue Recognition:				
Services transferred over time	$190,536	$27,713	$ (48)	$218,201
Services transferred at a point in time	682	—	—	682
Total	$191,218	$27,713	$ (48)	$218,883

(1) Value added services includes warehouse and distribution services, and other services.

Practical Expedients

The Company has elected to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as of the end of the period as the Company's contracts with its transportation customers have an expected duration of one year or less.

For the performance obligation to transfer warehouse and distribution services in contracts with customers, revenue is recognized in the amount for which the Company has the right to invoice the customer, as this amount corresponds directly with the value provided to the customer for the Company's performance completed to date.

The Company also applies the practical expedient that permits the recognition of employee sales commissions related to transportation services as an expense when incurred since the amortization period of such costs is less than one year. These costs are included in the condensed consolidated statements of comprehensive income.

Contract Assets

Contract assets represent amounts for which the Company has the right to consideration for the services provided while a shipment is still in-transit but for which it has not yet completed the performance obligation or has not yet invoiced the customer. Upon completion of the performance obligations, which can vary in duration based upon the method of transport and billing the customer, these amounts become classified within accounts receivable.

Operating Partner Commissions

The Company enters into contractual arrangements with independent agents that operate, on behalf of the Company, an office in a specific location that engages primarily in arranging, domestic and international, transportation services. In return, the independent agent is compensated through the payment of sales commissions which are based on individual shipments. The Company accrues the independent agent's commission obligation ratably as the goods are transferred to the customer.

j)Defined Contribution Savings Plans

The Company has an employee savings plan under which the Company provides safe harbor matching contributions. The Company's contributions under the plan were $223 and $195 for the three months ended September 30, 2018 and 2017, respectively.

k) Income Taxes
Income taxes are accounted for 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 records a liability for unrecognized tax benefits resulting from uncertain income tax positions taken or expected to be taken in an income tax return. Interest and penalties, if any, are recorded as a component of interest expense or other expense, respectively.

l) Share-Based Compensation
The Company grants restricted stock awards, restricted stock units and stock options to certain directors, officers and employees. The Company accounts for share-based compensation as equity awards such that compensation cost is measured at the grant date based on the fair value of the award and is expensed ratably over the vesting period. The fair value of restricted stock is the market price as of the grant date, and the fair value of each stock option grant is estimated as of the grant date using the Black-Scholes option pricing model. 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.

m) Basic and Diluted Income per Share Allocable to Common Stockholders

Basic income per common share is computed by dividing net income allocable to common stockholders by the weighted average number of common shares outstanding. Diluted income per common share is computed by dividing net income allocable to common stockholders by the weighted average number of common shares outstanding, plus the number of additional common shares that would have been outstanding if the potential common shares, such as restricted stock awards and stock options, had been issued and were considered dilutive. Net income allocable to common stockholders is after consideration for preferred stock dividends, whether or not declared.

n) Foreign Currency Translation
For the Company's foreign subsidiaries that prepare financial statements in currencies other than U.S. dollars, the local currency is the functional currency. All assets and liabilities are translated at period-end exchange rates and all income

statement amounts are translated at the weighted average rates for the period. Translation adjustments are recorded in accumulated other comprehensive (loss) income. Gains and losses on transactions of monetary items denominated in a foreign currency are recognized in other income (expense) in the condensed consolidated statements of comprehensive income.

o) Reclassifications of Previously Issued Financial Statements

Certain amounts for prior periods have been reclassified in the condensed consolidated financial statements to conform to the current year presentation.

NOTE 4 – EARNINGS PER SHARE

The computations of the numerator and denominator of basic and diluted income per share are as follows:

(In thousands, except share data)	Three Months Ended September 30, 2018	2017
Numerator:		
Net income attributable to Radiant Logistics, Inc.	$3,083	$827
Less: preferred stock dividends	(511)	(511)
Net income allocable to common stockholders	$2,572	$316
Denominator:		
Weighted average common shares outstanding, basic	49,437,930	49,085,545
Dilutive effect of share-based awards	1,267,504	1,557,408
Weighted average common shares outstanding, diluted	50,705,434	50,642,953
Potentially dilutive common shares excluded	1,051,488	1,102,731

NOTE 5 – BUSINESS ACQUISITIONS

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

NOTE 6 – TECHNOLOGY AND EQUIPMENT

(In thousands)	Useful Life	September 30, 2018	June 30, 2018
Computer software	3 - 5 years	$ 16,445	$ 15,842
Trailers and related equipment	3 - 15 years	6,856	6,362
Office and warehouse equipment	3 - 15 years	3,342	3,205
Leasehold improvements	(1)	3,316	3,155
Computer equipment	3 - 15 years	2,336	2,210
Furniture and fixtures	3 - 15 years	973	919

	33,268	31,693
Less: accumulated depreciation and amortization	(14,143)	(13,127)
	$ 19,125	$ 18,566

(1) The cost is amortized over the shorter of the lease term or useful life.

Depreciation and amortization expense related to technology and equipment was $1,161 and $1,081 for the three months ended September 30, 2018 and 2017, respectively. Computer software includes approximately $159 and $1,168 of software currently in development as of September 30, 2018 and June 30, 2018, respectively.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consisted of the following as of September 30, 2018 and June 30, 2018, respectively:

(In thousands)	September 30, 2018			
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer related	5.8 years	$96,778	$ (45,336)	$51,442
Trade names and trademarks	11.3 years	14,977	(3,490)	11,487
Covenants not to compete	1.5 years	875	(749)	126
		$112,630	$ (49,575)	$63,055

(In thousands)	June 30, 2018			
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer related	6.1 years	$96,515	$ (43,140)	$53,375
Trade names and trademarks	11.6 years	14,977	(3,236)	11,741
Covenants not to compete	1.7 years	875	(727)	148
		$112,367	$ (47,103)	$65,264

Amortization expense amounted to $2,472 and $2,494 for the three months ended September 30, 2018 and 2017, respectively. Future amortization expense for each of the next five fiscal years ending June 30 are as follows:

(In thousands)	
2019 (remaining)	$7,537
2020	9,729
2021	9,395
2022	8,841
2023	8,363

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

(In thousands)	September 30, 2018	June 30, 2018
Senior Credit Facility	$ 19,605	$ 21,537
Senior Secured Loans	23,531	23,965
Other debt	3,098	2,286
Unamortized debt issuance costs	(813)	(865)
Total notes payable	45,421	46,923
Less: current portion	(3,946)	(3,726)
Total notes payable, net of current portion	$ 41,475	$ 43,197

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

(In thousands)	
2019 (remaining)	$2,936
2020	4,141
2021	4,414
2022	24,312
2023	5,018
Thereafter	5,413
	$46,234

Bank of America Credit Facility

The Company has a $75,000 senior credit facility (the "Senior Credit Facility") with Bank of America, N.A. (the "Lender") on its own behalf and as agent to the other lenders named therein, currently consisting of the Bank of Montreal (as the initial member of the syndicate under such loan), pursuant to a Second Amendment to Amended and Restated Loan and Security Agreement. The Senior Credit Facility includes a $3,500 sublimit to support letters of credit and matures June 14, 2022.

Borrowings accrue interest based on the Company's average daily availability at the Lender's base rate plus 0.25% to 0.75% or LIBOR plus 1.25% to 1.75%. The Senior Credit Facility provides for advances of up to 85% of the eligible Canadian and domestic accounts receivable, 75% of eligible accrued but unbilled domestic receivables and eligible foreign accounts receivable, all of which are subject to certain sub-limits, reserves and reductions. The Senior Credit Facility is collateralized by a first-priority security interest in all of the assets of the U.S. co-borrowers, a first-priority security interest in all of the accounts receivable and associated assets of the Canadian co-borrowers (the "Canadian A/R Assets") and a second-priority security interest on the other assets of the Canadian borrowers.

Borrowings are available to fund future acquisitions, capital expenditures, repurchase of Company stock or for other corporate purposes. The terms of the Senior Credit Facility are subject to customary financial and operational covenants, including covenants that may limit or restrict the ability to, among other things, borrow under the Senior Credit Facility, incur indebtedness from other lenders, and make acquisitions. As of September 30, 2018, the Company was in compliance with all of its covenants.

As of September 30, 2018, based on available collateral and outstanding letter of credit commitments, there was $53,400 available for borrowing under the Senior Credit Facility.

Senior Secured Loans

In connection with the Company's acquisition of Wheels International Inc. ("Wheels"), Wheels obtained a CAD$29,000 senior secured Canadian term loan from Integrated Private Debt Fund IV LP ("IPD IV") pursuant to a CAD$29,000,000 Credit Facilities Loan Agreement. The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on April 1, 2024 and accrues interest at a rate of 6.65% per annum. The Company is required to maintain five months interest in a debt service reserve account to be controlled by IPD IV. The amount of approximately $600 is recorded as deposits and other assets in the accompanying condensed consolidated financial statements. The Company made interest-only payments for the first 12 months followed by monthly principal and interest payments of CAD$390 that will be paid through maturity.

In connection with the Company’s acquisition of Lomas, Wheels obtained a CAD$10,000 senior secured Canadian term loan from Integrated Private Debt Fund V LP pursuant to a CAD$10,000,000 Credit Facilities Loan Agreement. The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on June 1, 2024 and accrues interest at a fixed rate of 6.65% per annum. The loan repayment consists of monthly principal and interest payments of CAD$149.

The loans may be prepaid in whole at any time providing the Company gives at least 30 days prior written notice and pays the difference between (i) the present value of the loan interest and the principal payments foregone discounted at the Government of Canada Bond Yield for the term from the date of prepayment to the maturity date, and (ii) the face value of the principal amount being prepaid.

The loans are collateralized by a (i) first-priority security interest in all of the assets of Wheels except the Canadian A/R Assets, (ii) a second-priority security interest in the Canadian A/R Assets, and (iii) a second-priority security interest on all of the Company’s assets. As of September 30, 2018, the Company was in compliance with all of its covenants.

Capital Lease Facility

In April 2018, the Company, through its wholly-owned subsidiary, Clipper Exxpress Company, entered into a lease financing agreement with Bank of America Leasing & Capital, LLC, for the lease of 100 refrigerated trailers with the aggregate acquisition cost not to exceed $5,000 through December 31, 2018. As of September 30, 2018, the Company has financed approximately $3,098 of trailer equipment under the agreement. The term of the lease shall be 84 months from November 30, 2018 and as lessee, the Company will be obligated to purchase the trailers at the end of the lease for a nominal amount.

NOTE 9 – 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 issued and outstanding of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Shares issued and outstanding"), which have a liquidation preference of $25.00 per share. Dividends on the Series A Preferred Shares are cumulative from the date of original issue and are payable on January 31, April 30, July 31 and October 31, as and if declared by the Company's board of directors. If the Company does not pay dividends in full on any two payment dates (whether consecutive or not), the per annum dividend rate will increase an additional 2.0% per annum per $25.00 stated liquidation preference, up to a maximum of 19.0% per annum. If the Company fails to maintain the listing of the Series A Preferred Shares on the NYSE American or other exchange for 30 days or more, the per annum dividend rate will increase by an additional 2.0% per annum so long as the listing failure continues. The Series A Preferred Shares require the Company to maintain a Fixed Charge Coverage Ratio of at least 2.0. If the Company is not in compliance with this ratio, then it cannot pay any dividend on its common stock. As of September 30, 2018, the Company was in compliance with this ratio.

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

For the three months ended September 30, 2018, 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 March 2018, 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, 2019. There have been no purchases of common stock executed under the repurchase program through the date of this filing. 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 could be suspended or terminated at any time without prior notice.

NOTE 10 – 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 consolidated in these consolidated financial statements.

RLP recorded $300 in profits, of which RCP's distributable share was $180, for the three months ended September 30, 2018. RLP recorded $102 in profits, of which RCP's distributable share was $61 for the three months ended September 30, 2017. The non-controlling interest recorded as a reduction of income in the condensed consolidated statements of comprehensive income represents RCP's distributive share.

NOTE 11 – FAIR VALUE MEASUREMENTS

The accounting guidance for fair value, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The framework for measuring fair value consists of a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity. 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. The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

- Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost); and
- Income approach: Techniques to convert future amounts to a single present amount based upon market expectations, including present value techniques, option-pricing and excess earning models.

Items Measured at Fair Value on a Recurring Basis

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, 2018	
	Level 3	Total
Contingent consideration	$2,480	$2,480

	Fair Value Measurements as of June 30, 2018 Level 3	Total
Contingent consideration	$2,575	$2,575

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

(In thousands)	Contingent Consideration
Balance as of June 30, 2018	$ 2,575
Change in fair value	(95)
Balance as of September 30, 2018	$ 2,480

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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 fair value of the contingent liability is included in the condensed consolidated statements of comprehensive income. The Company recorded decreases to contingent consideration of $95 and $300 for the three months ended September 30, 2018 and 2017, respectively. The change in the current period is principally attributable to a net decrease in management's estimates of future earn-out payments through the remainder of its earn-out periods.

The Company uses projected future financial results based on recent and historical data to value the anticipated future earn-out payments. To calculate fair value, the future earn-out payments were then discounted using Level 3 inputs. The Company has classified the contingent consideration as Level 3 due to the lack of relevant observable market data over fair value inputs. The Company believes the discount rate used to discount the earn-out payments reflects market participant assumptions. Changes in assumptions and operating results could have a significant impact on the earn-out amount, up to a maximum of $10,980 through earn-out periods measured through August 2021, although there are no maximums on certain earn-out payments. Contingent consideration is net of advances of earn-out payments of $530, and includes approximately $1,100 that was earned during fiscal year 2018 and is payable November 2018.

Fair Value of Financial Instruments

The carrying values of the Company's cash, receivables, accounts payable, commissions payable, accrued expenses, and the income tax receivable approximate the fair values due to the relatively short maturities of these instruments. The carrying value of the Company's credit facility, notes payable and other long-term liabilities would not differ significantly from fair value (based on Level 2 inputs) if recalculated based on current interest rates.

NOTE 12 – INCOME TAXES

For the three months ended September 30, 2018 and 2017, respectively, the Company's income tax expense is composed of the following:

(In thousands)	Three Months Ended September 30, 2018	2017
Current income tax expense	$1,230	$1,138
Deferred income tax benefit	(253)	(512)
Income tax expense	$977	$626

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act contains significant changes to the U.S. federal income tax laws, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%. Additionally, the Act requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates a new tax on certain foreign-sourced earnings. The Company has made a reasonable estimate of the effects on existing deferred tax balances and the one-time transition tax, and has not recorded any adjustments to the provisional amounts. The estimated amount of the one-time transition tax is expected to be insignificant due to the Company's controlled foreign companies' negative earnings and profits. The final impact of the Act may differ due to and among other things, changes in interpretations, assumptions made, the issuance of additional guidance, and actions the Company may take as a result of the Act.

The Company's effective tax rates for the three months ended September 30, 2018 and 2017 are higher than the U.S. federal statutory rates primarily due to earnings in foreign operations and state taxes. The Company does not have any uncertain tax positions and has a federal net operating loss carryover of approximately $2,121 due to expire primarily through 2027 fiscal year and a foreign net operating loss carryover of approximately $1,647 due to expire through the 2038 fiscal year.

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, 2015 through June 30, 2018. Tax years which remain subject to examination by state authorities are the years ended June 30,2014 through June 30, 2018. Tax years which remain subject to examination by non-U.S. authorities are the periods ended December 31, 2014 through June 30, 2018. 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.

The Company's Canadian Subsidiary, Wheels International, Inc., is currently under examination by the Canada Revenue Agency for the year 2015. The amount of potential exposure, if any, is unknown and there is no reason to believe the Company should record a reserve.

NOTE 13 – SHARE-BASED COMPENSATION

The Company has two stock-based plans: the 2005 Stock Incentive Plan and the 2012 Stock Option and Performance Award Plan. Each plan authorizes the granting of up to 5,000,000 shares of the Company's common stock. The plans provide for the grant of stock options, stock appreciation rights, shares of restricted stock, restricted stock units, performance shares and performance units. Restricted stock awards and units are equivalent to one share of common stock and generally vest after three years. The Company does not plan to make additional grants under the 2005 Stock Incentive Plan.

Restricted Stock Awards

The Company recognized share-based compensation expense related to stock awards of $105 and $81 for the three months ended September 30, 2018 and 2017, respectively. As of September 30, 2018, there was $1,234 of total unrecognized share-based compensation cost. Such costs are expected to be recognized over a weighted average period of approximately 2.02 years.

The following table summarizes stock award activity under the plans:

	Number of Units	Weighted Average Fair Value
Unvested balance as of June 30, 2018	490,829	$ 3.88
Granted	64,573	4.40
Forfeited	(31,574)	3.97
Unvested balance as of September 30, 2018	523,828	$ 3.94

Stock Options

Options are granted at exercise prices equal to the fair value of the common stock at the date of the grant and have a term of 10 years. Generally, grants under each plan vest 20% annually over a five-year period from the date of grant. The Company recognized share-based compensation expense related to stock options of $226 and $269 and for the three months ended September 30, 2018 and 2017, respectively. The aggregate intrinsic value of options exercised was $210 and $4 for the three months ended September 30, 2018 and 2017. As of September 30, 2018, there was $1,241 of total unrecognized share-based compensation cost. Such costs are expected to be recognized over a weighted average period of approximately 1.83 years.

The following table summarizes stock option activity under the plans:

	Number of Shares	Weighted Average	Weighted Average Remaining	Aggregate Intrinsic Value

		Exercise Price	Contractual Life (Years)	(in thousands)
Outstanding as of June 30, 2018	2,795,588	$ 3.22	5.60	$ 2,815
Exercised	(101,709)	2.53	—	210
Forfeited	(25,892)	6.08	—	—
Outstanding as of September 30, 2018	2,667,987	$ 3.22	5.33	$ 7,200
Exercisable as of September 30, 2018	1,879,642	$ 2.86	4.74	$ 5,748

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In many claims and actions, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the size or range of the possible loss. Accordingly, an adverse outcome from such proceedings could 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 proceedings and 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 in the Superior Court of the State of California against RGL, DBA Distribution Services, Inc. ("DBA", a wholly-owned subsidiary), 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. However, if Ms. Barahona were to prevail on her allegations on all claims against the Company, the Company 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. The case remains involved in various procedural matters, including motions, discovery requests, status conferences, and mediations that to date have not led to settlement or resolution of the claims. At this time, the Company is unable to express an opinion as to the likely outcome of the matter.

Radiant Global Logistics, Inc. v. Border Express Services, Ltd., Kenneth Drummond and Maureen Drummond

In June 2018, the Company obtained a civil judgment against its former British Columbia strategic operating partner, for approximately $1,400 of amounts owed under the parties' Transportation Services Agreement (the "Agreement") for unpaid freight shipments. The Company has filed further lawsuits to enforce its judgement for collection and to assert rights under a personal guaranty against the judgment debtors. The unpaid amounts represented by the civil judgment are included in accounts receivable in the condensed consolidated balance sheets as of September 30, 2018 and June 30, 2018, net of an allowance for doubtful accounts of approximately $700.

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 January 2024. Rent expense is recognized straight-line over the term of the lease.

Minimum future lease payments (excluding the lease payments included in the transition and lease termination liability) under these non-cancelable operating leases for each of the next five fiscal years ending June 30 and thereafter are as follows:

(In thousands)	
2019 (remaining)	$6,322
2020	8,077
2021	6,857
2022	4,332
2023	738

Thereafter	17
Total minimum lease payments	$26,343

Rent expense amounted to $2,224 and $2,142 for the three months ended September 30, 2018 and 2017, respectively.

Transition and Lease Termination Costs

Lease termination costs consist of expenses related to future rent payments for which the Company no longer intends to receive any economic benefit. A liability is recorded when the Company ceases to use leased space. Lease termination costs are calculated as the present value of lease payments, net of expected sublease income, and the loss on disposition of assets. Lease termination costs consist of consolidation of facilities that occurred in Toronto, and in Newark, New Jersey.

In 2015, following the acquisition of Service by Air, Inc., the Company identified non-recurring personnel costs expected to be eliminated in connection with the winding down of their historical back-office operations. Additionally, the Company expensed the expected amount of retention bonuses over the requisite service period. Additional retention costs are not expected.

The transition and lease termination liability consist of the following:

(In thousands)	Lease Termination Costs	Retention and Severance Costs	Total
Balance as of June 30, 2018	$ 971	$ 414	$ 1,385
Payments and other	(165)	(126)	(291)
Balance as of September 30, 2018	$ 806	$ 288	$ 1,094

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. Earn-out payments are generally due annually on November 1st, 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)	2019	2020	2021	2022	Total
Earn-out payments:					
Cash	$ 1,092	$ 808	$ 496	$ 39	$ 2,435
Equity [1]	272	182	165	13	632
Total estimated earn-out payments	$ 1,364	$ 990	$ 661	$ 52	$ 3,067

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

NOTE 15 – OPERATING AND GEOGRAPHIC SEGMENT INFORMATION

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

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 includes the costs of the Company's executives, board of directors, professional services such as legal and consulting, amortization of intangible assets and certain other corporate costs associated with operating as a public company as Corporate.

Three Months Ended September 30, 2018 (In thousands)	United States	Canada	Corporate/ Eliminations	Total
Revenues	$191,218	$27,713	$ (48)	$218,883
Net revenues (1)	47,142	7,726	—	54,868
Income (loss) from operations	7,816	1,199	(4,182)	4,833
Other income (expense)	211	(27)	(777)	(593)
Income (loss) before income taxes	8,027	1,172	(4,959)	4,240
Depreciation and amortization	770	387	2,476	3,633
Technology and equipment, net	15,672	3,453	—	19,125
Transition and lease termination liability	239	855	—	1,094
Goodwill	43,991	21,398	—	65,389
Three Months Ended September 30, 2017 (In thousands)				
Revenues	$174,894	$23,566	$ (483)	$197,977
Net revenues (1)	40,583	5,020	—	45,603
Income (loss) from operations	6,853	(815)	(3,805)	2,233
Other income (expense)	152	(107)	(764)	(719)
Income (loss) before income taxes	7,005	(922)	(4,569)	1,514
Depreciation and amortization	649	290	2,636	3,575
Technology and equipment, net	13,527	1,350	730	15,607
Transition and lease termination costs	107	—	—	107
Transition and lease termination liability	351	1,614	—	1,965
Goodwill	45,599	21,398	—	66,997

(1) Net revenues are revenues net of cost of transportation and other services.

NOTE 16 – SUBSEQUENT EVENT

On October 12, 2018, the Company's board of directors declared a cash dividend to holders of the Series A Preferred Shares in the amount of $0.609375 per share. The declared dividend totaled $511 and was paid on October 31, 2018.

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

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning set forth in United States securities laws and regulations – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business, financial performance and financial condition, and often contain words such as "anticipate," "believe," "estimates," "expect," "future," "intend," "may," "plan," "see," "seek," "strategy," or "will" or the neg any variation thereon or similar terminology or expressions. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. We have developed our forward-looking statements based on management's beliefs and assumptions, which in turn rely upon information available to them at the time such statements were made. Such forward-looking statements reflect our current perspectives on our business, future performance, existing trends and information as of the date of this report. These include, but are not limited to, our beliefs about future revenue and expense levels, growth rates, prospects related to our strategic initiatives and business strategies, along with express or implied assumptions about, among other things: our continued relationships with our strategic operating partners; the performance of our historic business, as well as the businesses we have recently acquired, at levels consistent with recent trends and reflective of the synergies we believe will be available to us as a result of such acquisitions; our ability to successfully integrate our recently acquired businesses; our ability to locate suitable acquisition opportunities and secure the financing necessary to complete such acquisitions; the occurrence of no adverse developments affecting domestic and international economic, political or competitive conditions within our industry; transportation costs remaining in-line with recent levels and expected trends; our ability to mitigate, to the best extent possible, our dependence on current management and certain of our larger strategic operating partners; our compliance with financial and other covenants under our indebtedness; the absence of any adverse laws or governmental regulations affecting the transportation industry in general, and our operations in particular; and such other factors that may be identified from time to time in our Securities and Exchange Commission ("SEC") filings and other public announcements including those set forth under the caption "Risk Factors" in our Form 10-K for the year ended June 30, 2018. 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 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 which includes over 100 locations operated exclusively on our behalf by independent agents, who we also refer to as our "strategic operating partners", as well as approximately 20 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. Our services include arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. We also provide other value added logistics services, including customs brokerage and MM&D solutions to complement our core transportation service offering.

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

Performance Metrics

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

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

Our operating results will be affected as acquisitions occur. Since all acquisitions are made using the acquisition 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, and all amortization charges (including amortization of leasehold improvements). We then further adjust EBITDA to exclude changes in fair value of contingent consideration, expenses specifically attributable to acquisitions, transition and lease termination costs, foreign currency transaction gains and losses, extraordinary items, share-based compensation expense, litigation expenses unrelated to our core operations, MM&D start-up costs and other non-cash charges. While management considers EBITDA, and adjusted EBITDA useful in analyzing our results, it is not intended to replace any presentation included in our 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, 2018 and 2017 (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, 2018 and 2017 (in thousands):

	Three months ended September 30, 2018				Three months ended September 30, 2017			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Revenues								
Transportation	$188,249	$22,936	$ (48)	$211,137	$172,579	$20,593	$ (483)	$192,689
Value added services	2,969	4,777	—	7,746	2,315	2,973	—	5,288
	191,218	27,713	(48)	218,883	174,894	23,566	(483)	197,977
Cost of transportation and other services								
Transportation	141,850	17,915	(48)	159,717	132,607	17,172	(483)	149,296
Value added services	2,226	2,072	—	4,298	1,704	1,374	—	3,078
	144,076	19,987	(48)	164,015	134,311	18,546	(483)	152,374
Net revenues (1)								
Transportation	46,399	5,021	—	51,420	39,972	3,421	—	43,393
Value added services	743	2,705	—	3,448	611	1,599	—	2,210
	$47,142	$7,726	$ —	$54,868	$40,583	$5,020	$ —	$45,603
Net Margins								
Transportation	24.6 %	21.9 %	N/A	24.4 %	23.2 %	16.6 %	N/A	22.5 %
Value added services	25.0 %	56.6 %	N/A	44.5 %	26.4 %	53.8 %	N/A	41.8 %

(1) Net revenues are revenues net of cost of transportation and other services.

Transportation revenue was $211.1 million and $192.7 million for the three months ended September 30, 2018 and 2017, respectively. The increase of $18.4 million, or 9.5%, is primarily attributable to increased revenues by certain strategic operating partners. Net transportation revenue was $51.4 million and $43.4 million for three months ended September 30, 2018 and 2017, respectively. Net transportation margins increased from 22.5% to 24.4%, primarily due to shifts in product mix.

Value added services revenue was $7.7 million and $5.3 million for the three months ended September 30, 2018 and 2017, respectively. The increase of $2.4 million, or 45.3%, is primarily attributable to increased customer base in Canada. Net value added services revenue was $3.4 million for the three months ended September 30, 2018, compared to $2.2 million for the comparable prior year period. Net value added services revenue margins increased from 41.8% to 44.5%.

Effective July 1, 2018, we adopted ASC 606 using the retrospective method and began recognizing revenue from certain contracts with customers over time as services are rendered. Periods prior to July 1,2018, including the three months ended September 30, 2017, are presented under previous revenue recognition guidance and have not been restated to conform to ASC 606. The adoption of ASC 606 accounted for some of the increases in net revenues for the three months ended September 30, 2018 compared to the same prior year period. Additionally, the Company made some reclassifications in the period ending September 30, 2017 to conform to the quarter ending September 30, 2018 reporting for comparability purposes.

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The following table compares condensed consolidated statements of comprehensive income data by operating segment for the three months ended September 30, 2018 and 2017 (in thousands):

	Three months ended September 30, 2018				Three months ended September 30, 2017			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Net revenues (1)	$47,142	$7,726	$ —	$54,868	$40,583	$5,020	$ —	$45,603
Operating expenses:								
Operating partner commissions	24,828	—	—	24,828	19,692	—	—	19,692
Personnel costs	10,082	3,556	907	14,545	9,824	3,474	695	13,993
Selling, general and administrative expenses	3,646	2,584	894	7,124	3,458	2,071	774	6,303
Depreciation and amortization	770	387	2,476	3,633	649	290	2,636	3,575
Transition and lease termination costs	—	—	—	—	107	—	—	107
Change in contingent consideration	—	—	(95)	(95)	—	—	(300)	(300)
Total operating expenses	39,326	6,527	4,182	50,035	33,730	5,835	3,805	43,370
Income (loss) from operations	7,816	1,199	(4,182)	4,833	6,853	(815)	(3,805)	2,233
Other income (expense)	211	(27)	(777)	(593)	152	(107)	(764)	(719)
Income (loss) before income tax provision	8,027	1,172	(4,959)	4,240	7,005	(922)	(4,569)	1,514
Income tax expense	—	—	(977)	(977)	—	—	(626)	(626)
Net income (loss)	8,027	1,172	(5,936)	3,263	7,005	(922)	(5,195)	888
Less: Net income attributable to non-controlling interest	(180)	—	—	(180)	(61)	—	—	(61)
Net income (loss) attributable to Radiant Logistics, Inc.	7,847	1,172	(5,936)	3,083	6,944	(922)	(5,195)	827
Less: Preferred stock dividends	—	—	(511)	(511)	—	—	(511)	(511)
Net income (loss) attributable to common stockholders	$7,847	$1,172	$ (6,447)	$2,572	$6,944	$(922)	$ (5,706)	$316

	Three months ended September 30, 2018				Three months ended September 30, 2017			
Operating expenses as a percent of net revenues:	United States	Canada	Corporate/	Total	United States	Canada	Corporate/	Total

			Eliminations				Eliminations	
Operating partner commissions	52.7%	0.0 %	N/A	45.3%	48.5%	0.0 %	N/A	43.2%
Personnel costs	21.4%	46.0 %	N/A	26.5%	24.2%	69.2 %	N/A	30.7%
Selling, general and administrative expenses	7.7 %	33.4 %	N/A	13.0%	8.5 %	41.3 %	N/A	13.8%

(1)Net revenues are revenues net of cost of transportation and other services.

Operating partner commissions increased $5.1 million, or 26.1%, to $24.8 million for the three months ended September 30, 2018 primarily due to an increase in net transportation revenues from operating partners.

Personnel costs increased $0.5 million, or 3.9%, to $14.5 million for the three months ended September 30, 2018. The increase is primarily due to the addition of a new Company owned location and increased headcount in support of back office support.

Selling, general and administrative ("SG&A") expenses increased $0.8 million, or 13.0%, to $7.1 million for the three months ended September 30, 2018. The increase is primarily attributable to increased facilities costs, increased technology spending, and an increase in bad debt expense for the quarter.

Depreciation and amortization costs is $3.6 million for the three months ended September 30, 2018 and 2017, respectively.

There were no transition and lease termination costs for the three months ended September 30, 2018. The comparable prior year period amount represents lease termination associated with the facility consolidation of the Company-owned location in New Jersey with acquisition of DLT.

Change in fair value of contingent consideration was a gain of $0.1 million for the quarter ended September 30, 2018, compared to $0.3 million for the comparable prior year period. The change is primarily attributable to a decrease in management's estimates of future earn-out payments through the remainder of the respective earn-out periods.

Other expenses decreased $0.1 million, or 17.6%, to $0.6 million for the three months ended September 30, 2018. The decrease is primarily due to foreign currency exchange gains in the current period compared to foreign currency losses in the prior year period.

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

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

The following table provides a reconciliation for the three months ended September 30, 2018 and 2017 of 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, 2018				Three months ended September 30, 2017			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Net income (loss) attributable to common stockholders	$7,847	$1,172	$ (6,447)	$2,572	$6,944	$(922)	$ (5,706)	$316
Plus: Preferred stock dividends	—	—	511	511	—	—	511	511
Net income (loss) attributable to Radiant Logistics, Inc.	7,847	1,172	(5,936)	3,083	6,944	(922)	(5,195)	827
Income tax expense	—	—	977	977	—	—	626	626
Depreciation and amortization	770	387	2,476	3,633	649	290	2,636	3,575
Net interest expense	—	—	777	777	—	—	764	764
EBITDA	8,617	1,559	(1,706)	8,470	7,593	(632)	(1,169)	5,792
Share-based compensation	227	(16)	120	331	233	18	99	350
Change in contingent consideration	—	—	(95)	(95)	—	—	(300)	(300)
Acquisition related costs	—	—	4	4	—	—	78	78
Legal costs	—	—	137	137	—	—	24	24
Lease termination costs	—	—	—	—	107	—	—	107
MM&D start-up costs	—	—	—	—	—	347	—	347
Foreign exchange loss (gain)	(101)	67	—	(34)	(22)	107	—	85
Adjusted EBITDA	$8,743	$1,610	$ (1,540)	$8,813	$7,911	$(160)	$ (1,268)	$6,483
Adjusted EBITDA as a % of net revenues	18.5 %	20.8 %	N/A	16.1 %	19.5 %	-3.2 %	N/A	14.2 %

Liquidity and Capital Resources

Net cash provided by operating activities was $5.8 million and net cash used for operations was $1.2 million for the three months ended September 30, 2018 and 2017, respectively. The cash provided primarily consisted of net income adjusted for depreciation and amortization and changes in accounts receivable, accounts payable, income taxes, accrued expenses and contingent consideration.

Net cash used for investing activities was $0.9 million and $2.4 million for the three months ended September 30, 2018 and 2017, respectively. The primary uses of cash were for acquisitions and purchases of technology and equipment. Cash paid for acquisitions was $1.0 million for the three months ended September 30, 2017. Cash paid for purchases of technology and equipment was $1.1 million and $1.4 million for the three months ended September 30, 2018 and 2017, respectively.

Net cash used for financing activities was $3.5 million for the three months ended September 30, 2018, compared to cash provided of $3.5 million for the three months ended September 30, 2017. Net repayments to the Senior Credit Facility were $2.0 million and net proceeds from the Senior Credit Facility were $5.0 million for the three months ended September 30, 2018 and 2017, respectively. Repayments of notes payable were $0.8 million and $0.8 million for the three months ended September 30, 2018 and 2017, respectively. Payments of preferred stock dividends were $0.5 million for each of the three months ended September 30, 2018 and 2017. Payments of employee tax withholdings related to the cashless exercise of stock option were $0.1 million for the three months ended September 30, 2018.

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 5 and Note 11 to our audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended June 30, 2018, and Note 5 and Note 11 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. We intend to spend in excess of $5.0 million during the fiscal year ended June 30, 2019 in order to continue improving our technology systems, which we expect will include the implementation of a key transportation management system that will, among other things, more fully integrate our systems with our strategic operating partners and any new operations that we may acquire in the future.

Senior Credit Facility

We have the USD$75.0 million senior credit facility (the “Senior Credit Facility”) with Bank of America, N.A. on its own behalf and as agent to the other lenders named therein, currently consisting of the Bank of Montreal (as the initial member of the syndicate under such loan). The Senior Credit Facility matures on June 14, 2022 and is collateralized by a first-priority security interest in all of the assets of the U.S. co-borrowers, a first-priority security interest in all of the accounts receivable and associated assets of the Canadian co-borrowers (the “Canadian A/R Assets”) and a second-priority security interest on the other assets of the Canadian borrowers. Advances under the Senior Credit Facility are available for future acquisitions, certain debt repayment and for other corporate purposes. Borrowings under the Senior Credit Facility accrue interest at a variable rate of interest based upon LIBOR and/or one or more other interest rate indices plus an applicable margin. The Senior Credit Facility provides for advances of up to 85% of our eligible Canadian and domestic accounts receivable, 75% of eligible accrued but unbilled domestic receivables and eligible foreign accounts receivable, all of which are subject to certain sub-limits, reserves and reductions.

The co-borrowers of the Senior Credit Facility include the following: (i) with respect to U.S. obligations under the Senior Credit Facility, Radiant Logistics, Inc., Radiant Global Logistics, Inc., Radiant Transportation Services, Inc., Radiant Logistics Partners LLC, Adcom Express, Inc., Radiant Customs Services, Inc., DBA Distribution Services, Inc., International Freight Systems (of Oregon), Inc., Radiant Off-Shore Holdings LLC, Green Acquisition Company, Inc., On Time Express, Inc., Clipper Exxpress Company, Radiant Global Logistics (CA), Service By Air, Inc., Highways and Skyways, Inc., and Radiant Trade Services, Inc.; and (ii) with respect to Canadian obligations under the Senior Credit Facility, Wheels International Inc., 1371482 Ontario Inc., Wheels MSM Canada Inc., 2062698 Ontario Inc., Associate Carriers Canada Inc. and Wheels Associate Carriers Inc. As co-borrowers under the Senior Credit Facility, the accounts receivable of the foregoing entities are eligible for inclusion within the overall borrowing base of the Company and all borrowers are responsible for repayment of the debt associated with applicable advances (U.S. or Canadian) under the Senior Credit Facility. In addition, we and our U.S. subsidiaries guarantee both the U.S. and Canadian obligations under the Senior Credit Facility, while our Canadian subsidiaries guarantee only the Canadian obligations under the Senior Credit Facility.

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

Under the terms of the Senior Credit Facility, we are permitted to make additional acquisitions without the consent of the senior lenders only if certain conditions are satisfied. The conditions imposed by the Senior Credit Facility include the following: (i) the absence of an event of default under the Senior Credit Facility, (ii) the acquisition must be consensual; (iii) the company to be acquired must be in the transportation and logistics industry, located in the United States or certain other approved jurisdictions, and have a positive EBITDA for the 12 month period most recently ended prior to such acquisition, (iv) no debt or liens may be incurred, assumed or result from the acquisition, subject to limited exceptions, (v) after giving effect for the funding of the acquisition, we must have availability under the

Senior Credit Facility of at least the greater of 15% of the U.S.-based borrowing base and Canadian-based borrowing base or $15.0 million, and U.S. availability of at least $10.0 million, and (vi) the pro forma fixed charge coverage ratio is at least 1.1 to 1.0. In the event that we are not able to satisfy the conditions of the Senior Credit Facility in connection with a proposed acquisition, we must either forego the acquisition, obtain the consent of the senior lenders, or retire the Senior Credit Facility. This may limit or slow our ability to achieve the critical mass we may need to achieve our strategic objectives.

As of September 30, 2018, we have availability of $73.0 million, net of $19.6 million in advances with approximately $53.4 million in availability under the Senior Credit Facility to support future acquisitions and our ongoing working capital requirements. We expect to structure acquisitions with certain amounts paid at closing, and the balance paid over a number of years in the form of earn-out installments which are payable based upon the future earnings of the acquired businesses payable in cash, stock or some combination thereof. As we continue to execute our acquisition strategy, we will be required to make significant payments in the future if the earn-out installments under our various acquisitions become due. While we believe that a portion of any required cash payments will be generated by the acquired businesses, we may have to secure additional sources of capital to fund the remainder of any cash-based earn-out payments as they become due. This presents us with certain business risks relative to the availability of capacity under our Senior Credit Facility, the availability and pricing of future fund raising, as well as the potential dilution to our stockholders to the extent the earn-outs are satisfied directly, or indirectly, from the sale of equity.

Senior Secured Loan

On April 2, 2015, Wheels International Inc. ("Wheels") obtained a CAD$29.0 million senior secured Canadian term loan from Integrated Private Debt Fund IV LP ("IPD IV") pursuant to a CAD$29,000,000 Credit Facilities Loan Agreement (the "IPD IV Loan Agreement"). The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on April 1, 2024 and accrues interest at a rate of 6.65% per annum. We made interest-only payments for the first 12 months and will make blended principal and interest through maturity. In connection with the loan, we paid an amount equal to five months of interest payments into a debt service reserve account controlled by IPD IV.

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

The loans may be prepaid in whole at any time upon providing at least 30 days prior written notice and paying the difference between (i) the present value of the loan interest and the principal payments foregone discounted at the Government of Canada Bond Yield for the term from the date of prepayment to the maturity date, and (ii) the face value of the principal amount being prepaid.

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

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

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

For additional information regarding our indebtedness, see Note 8 to our audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended June 30, 2018, and Note 8 to our unaudited condensed consolidated financial statements contained elsewhere in this report.

Capital Lease Facility

In April 2018, the Company, through its wholly-owned subsidiary, Clipper Exxpress Company, entered into a lease financing agreement with Bank of America Leasing & Capital, LLC, for the lease of 100 refrigerated trailers with the aggregate acquisition cost not to exceed $5.0 million through December 31, 2018. As of September 30, 2018, the Company has financed approximately $3.1 million of trailer equipment under the agreement. The term of the lease shall be 84 months from November 30, 2018 and as lessee, the Company will be obligated to purchase the trailers at the end of the lease for a nominal amount.

Working Capital

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

Off Balance Sheet Arrangements

As of September 30, 2018, 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.

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, 2018.

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, 2018, 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, 2018, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding disclosure.

The Company has made material changes in its internal controls over financial reporting related to the adoption of ASC 606 Revenue Recognition. There have not been any other 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, 2018 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

The Company is involved in various claims and legal actions arising in the ordinary course of business. In many claims and actions, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the size or range of the possible loss. Accordingly, an adverse outcome from such proceedings could 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 proceedings and litigation is as follows.

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

On October 25, 2013, plaintiff Ingrid Barahona filed a purported class action lawsuit in the Superior Court of the State of California against Radiant Global Logistics, Inc. ("Radiant"), 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 the Company's preliminary evaluation of applicable records and legal standards. However, if Ms. Barahona were to prevail on her allegations on all claims against the Company, the Company 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. The case remains involved in various procedural matters, including motions, discovery requests, status conferences, and mediations that to date have not led to settlement or resolution of the claims. At this time, the Company is unable to express an opinion as to the likely outcome of the matter.

Item 1A. Risk Factors

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended June 30, 2018.

ITEM 6. EXHIBITS

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

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, 2018	/s/ Bohn H. Crain Bohn H. Crain Chief Executive Officer (Principal Executive Officer)
Date: November 9, 2018	/s/ Todd E. Macomber Todd E. Macomber Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)