RADIANT LOGISTICS, INC
Form 10-K
September 13, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended June 30, 2018

or

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)	(I.R.S. Employer Identification Number)

405 114th Avenue S.E., Third Floor

Bellevue, Washington 98004

(Address of Principal Executive Offices)

(425) 943-4599

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on which Registered
Common Stock, $.001 Par Value	NYSE American

Securities registered under Section 12(g) of the Exchange Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Annual Report on Form 10-K.

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based on the closing share price of the registrant's common stock on December 31, 2017 was approximately $177 million.

As of September 7, 2018, 49,447,208 shares of the registrant's common stock were outstanding.

Documents Incorporated by Reference:

Portions of the registrant's proxy statement for the 2018 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended June 30, 2018.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Cautionary Statement for 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 from 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 Part 1 Item 1A of this report. 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 from 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.

PART I

ITEM 1. BUSINESS

Our Company

Radiant Logistics, Inc. (the "Company", "we" or "us"), operates as a third-party logistics company, providing multi-modal transportation and logistics services primarily to customers based in the United States and Canada. We service a large and diversified account base which we support from an extensive network of 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, less than truckload ("LTL") services, and intermodal services, which is the movement of freight in trailers or containers by combination of truck and rail. Our primary business operations involve arranging the shipment, on behalf of our customers, of materials, products, equipment and other goods that are generally larger than shipments handled by integrated carriers of primarily small parcels, such as FedEx, DHL and UPS. Our services include arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. We also provide other value-added supply chain services, including order fulfillment, inventory management, warehouse and distribution services (collectively, "Materials Management and Distribution" or "MM&D" services), and customs brokerage services to complement our core transportation service offering.

We expect to grow our business organically and by completing acquisitions of other companies with complementary geographical 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, as we continue to grow and scale the 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 to our focus on organic growth, we 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 we continue to grow and scale the business, we also remain focused on leveraging our back-office infrastructure and technology systems to drive productivity improvement across the organization.

Competitive Strengths

As a non-asset based third-party logistics provider, we believe that we are well-positioned to provide cost-effective and efficient solutions to address the demand in the marketplace for transportation and logistics services. We believe that the most important competitive factors in our industry are quality of service, including reliability, responsiveness, expertise and convenience, scope of operations, geographic coverage, information technology and price. We believe our primary competitive advantages are as follows:

Non-asset based business model

As a non-asset based logistics provider, we own only a minimal amount of equipment. By not owning the transportation equipment used to transport the freight, which results in relatively minimal fixed operating costs, we are able to leverage our network of locations to offer competitive pricing and flexible solutions to our customers. Moreover, our balanced product offering provides us with revenue streams from multiple sources and enables us to retain customers even as they shift across various modes of transportation. We believe our low capital intensity model allows us to provide low-cost solutions to our customers, operate our business with strong cash flow characteristics, and retain significant flexibility in responding to changing industries and economic conditions.

Offer significant advantages to our strategic operating partners

Our current network is predominantly represented by independent agents, who operate exclusively on our behalf, who we also refer to as our "strategic operating partners", who rely on us for operating authority, technology, sales and marketing support, access to working capital, our carrier and international partner networks, and collective purchasing power. Through this collaboration, our strategic operating partners have the ability to focus on the operational and sales support aspects of their business without diverting costs or expertise to the structural aspect of their operations, thus, providing our strategic operating partners with the regional, national and global brand recognition that they would not otherwise be able to achieve acting alone.

Lower-risk operation of network of strategic operating partners

We derive a substantial portion of our revenue pursuant to agreements with our strategic operating partners operating under our various brands. These arrangements afford us with a relatively low risk growth model as each strategic operating partner is responsible for its own sales and costs of operations. Under shared economic arrangements, we are responsible to provide to our strategic operating partners centralized back-office infrastructure, transportation and accounting systems, billing and collection services.

Diverse customer base

We service a large and diversified account base of over 12,000 accounts consisting of consumer goods, food and beverage, manufacturing and retail customers. From the date of this report, no single customer and no strategic operating partner represented more than 5% of our consolidated net revenues, reducing risks associated with any particular industry, geographic or customer concentration.

Information technology resources

A primary component of our business strategy is the continued development of advanced information systems to provide accurate and timely information to our management, strategic operating partners and customers. We believe that the ability to provide accurate real-time information on the status of shipments has and will become increasingly important in our industry. Our customer delivery tools enable connectivity with our customers' and trading partners' systems, which leads to more accurate and up-to-date information on the status of shipments. Our centralized transportation management system (rating, routing, tender and financial settlement process) drives significant efficiency across our network.

Global network of transportation providers

We provide worldwide supply chain services, which include international air and ocean services that complement our domestic service offerings. Our offerings include heavyweight and small package air services, providing same day (next flight out) air charters, next day a.m./p.m., second day a.m./p.m. as well as time definite surface transport moves. Our non-asset based business model allows us to use commercial passenger and cargo flights. Thus, we have thousands of daily flight options to choose from, and our pickup and delivery network provides us with zip code to zip code coverage throughout North America.

Sourcing and managing transportation

As we continue to grow and scale the business, we believe that we are developing density in our trade lanes which creates opportunities for us to more efficiently source and manage our transportation capacity. With our acquisition of Wheels Group, Inc. in 2015, our network has access to truck brokerage and intermodal capabilities. We believe the benefit of our relative purchasing power along with our service line expansion will serve as a competitive differentiator in the marketplace to help us secure new customers and attract additional strategic operating partners to our network.

Value-added services

In addition to our core transportation service offerings, we also provide value-added supply chain services including order fulfillment, inventory management, warehouse and distribution services ("MM&D"), and customs brokerage services. We believe that our value-added services allow us to leverage our transportation services to generate additional revenue and provide additional convenience to our customers.

Industry Overview

The logistics industry is highly fragmented with thousands of companies of various sizes competing in the domestic and international markets. As business requirements for efficient and cost-effective logistics services have increased, so has the importance and complexity of effectively managing freight transportation. Businesses increasingly strive to minimize inventory levels, perform manufacturing and assembly operations in the lowest cost locations, and distribute their products in numerous global markets. As a result, companies are increasingly looking to third-party logistics providers to help them execute their supply chain strategies.

Shippers typically manage their supply chains using some combination of asset and non-asset based service providers. We operate principally as a non-asset based third-party logistics provider focused on freight forwarding, truck brokerage and intermodal transportation services along with associated value-added services. According to Armstrong and Associates, the market for third-party logistics services in the United States and Canada is estimated at approximately $180.8 billion.

Because non-asset based companies select from various transportation options in routing customer shipments, they are often able to serve customers less expensively and with greater flexibility than their asset based competitors, who are typically focused on maximizing the utilization of their own captive fleets of trucks, aircraft and ships rather than the specific needs of the customer.

We believe there are several factors that are increasing demand for global logistics solutions. These factors include:

- outsourcing of non-core activities;
- globalization of trade;
- increased need for time-definite delivery;
- consolidation of global logistics providers; and
- increasing influence of e-business and the Internet.

Our Growth Strategy

Our objective is to provide customers with comprehensive multi-modal transportation and logistics solutions offered by us through our Radiant®, Wheels™, Airgroup®, Adcom®, DBA™ and Service by Air™ brands. Since inception of our business in 2006, we have executed a strategy to expand operations through a combination of organic growth and the strategic acquisition of non-asset based transportation and logistics providers meeting our acquisition criteria. We have successfully completed 18 acquisitions since our initial acquisition of Airgroup in January of 2006, including:

- Automotive Services Group, expanding our services into the automotive industry, in 2007;
- Adcom Express, Inc., ("Adcom") adding domestic operating partner locations, in 2008;
- DBA Distribution Services, Inc., ("DBA") adding two Company-owned locations and operating partner locations, in 2011;
- ISLA International Ltd., ("ISLA") adding a Company-owned location in Laredo, Texas, providing us with bilingual expertise in both north and south bound cross-border transportation and logistics services, in 2011;
- Brunswicks Logistics, Inc., ("ALBS") adding a strategic Company-owned location in New York-JFK, in 2012;
- Marvir Logistics, Inc., ("Marvir") adding a Company location in Los Angeles from the conversion of a former operating partner since 2006, in 2012;
- International Freight Systems of Oregon, Inc., ("IFS") adding a Company location in Portland, Oregon, from the conversion of a former operating partner since 2007, in 2012;
- On Time Express, Inc., ("On Time") adding three Company-owned locations in Phoenix, Arizona, Dallas, Texas and Atlanta, Georgia, to providing additional line-haul and time critical logistics capabilities, in 2013;
- Phoenix Cartage and Air Freight, LLC, ("PCA") opening a Company-owned location in Philadelphia, Pennsylvania, in 2014;
- Trans-NET, Inc. ("TNI") expanding Company-owned operations in Seattle, Washington and providing a gateway of services to the Russian Far East, in 2014;
- Don Cameron and Associates, Inc. ("DCA"), a Minnesota based, privately held company that provides a full range of domestic and international transportation and logistics services across North America, in 2014;
- Wheels Group, Inc. ("Wheels"), one of the largest third-party logistics providers in Canada, offering truck brokerage services and intermodal service offering throughout the United States and Canada along with value-added warehouse and distribution service offerings in support of U.S. shippers looking to access the Canadian markets, in 2015;
- Service by Air, Inc. ("SBA"), a privately-held corporation based in New York, adding three Company-owned operating locations and forty strategic operating partner locations across North America, in 2015;
- Highways and Skyways, Inc. ("Highways"), a privately held Kentucky based company, adding a Company-owned location near the Cincinnati airport from the conversion of a former SBA operating partner in 2015;
- Copper Logistics, Incorporated ("Copper"), a Minneapolis, Minnesota based privately held company that provides a full range of domestic and international transportation and logistics services across North America, in 2015;

- Lomas Logistics ("Lomas"), a division of L.V. Lomas Limited, a Canada based third-party logistics provider that operates in Ontario and British Columbia, in 2017; and
- Dedicated Logistics Technologies, Inc. ("DLT"), a privately held company that has historically operated under the Company's SBA brand in Newark, New Jersey and Los Angeles, California, in 2017; and
- Sandifer-Valley Transportation and Logistics, Ltd. ("SVT"), a privately held company providing a full range of domestic and international cross-border services with Mexico, in 2017.

We expect to grow our business organically and by completing acquisitions of other companies with complementary geographical and logistics service offerings. We will continue to make enhancements to our back-office infrastructure, transportation management, and accounting systems to support this growth. Our organic growth strategy will continue to focus on strengthening existing and expanding new customer relationships, while continuing our efforts on the organic build-out of our network of strategic operating partner locations. In addition, we will also be working to drive further productivity improvements enabled through our value-added truck brokerage and customs house brokerage service capabilities.

Our acquisition strategy has been designed to take advantage of shifting market dynamics. The third-party logistics industry continues to grow as an increasing number of businesses outsource their logistics functions to more cost effectively manage and extract value from their supply chains. The industry is positioned for further consolidation as it remains highly fragmented, and as customers are demanding the types of sophisticated and broad reaching service offerings that can more effectively be handled by larger more diverse organizations. We believe the highly fragmented composition of the marketplace, the industry participants' need for capital, and their owners' desire for liquidity has and will continue to produce a large number of attractive acquisition candidates. For the most part, our target acquisition candidates are generally smaller than those identified as acquisition targets of larger public companies and have limited ability to conduct their own public offerings or obtain financing that will provide them with capital for liquidity or rapid growth. We believe that many of these "smaller" companies are receptive to our acquisition program as a vehicle for liquidation or growth. We intend to be opportunistic in executing our acquisition strategy with a goal of expanding both our domestic and international capabilities.

Our Operating Strategy

Leverage the People, Process and Technology Available through a Central Platform. A key element of our operating strategy is to maximize our operational efficiencies by integrating general and administrative functions into our back-office operations and reducing or eliminating redundant functions and facilities at acquired companies. This is designed to enable us to quickly realize potential savings and synergies, efficiently control and monitor operations of acquired companies, and allow acquired companies to focus on growing their sales and operations.

Develop and Maintain Strong Customer Relationships. We seek to develop and maintain strong interactive customer relationships by anticipating and focusing on our customers' needs. We emphasize a relationship-oriented approach to business, rather than the transaction or assignment-oriented approach used by many of our competitors. To develop close customer relationships, we and our network of operating partners regularly meet with both existing and prospective customers to help design solutions for, and identify the resources needed to execute, their supply chain strategies. We believe that this relationship-oriented approach results in greater customer satisfaction and reduced business development expense.

Operations

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. As a third-party logistics provider, our primary business operations involve arranging the shipment, on behalf of our customers, of materials, products, equipment and other goods that are generally larger than shipments handled by integrated carriers of primarily small parcels, such as FedEx, DHL and UPS, including arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. We also provide other value-added supply chain services, including order fulfillment, inventory management, warehousing and distribution services (“MM&D”), and customs brokerage services, to complement our core transportation service offering.

As a non-asset based provider we generally do not own the transportation equipment used to transport the freight. We generally expect to neither own nor operate any material transportation assets and, consequently, arrange for transportation of our customers’ shipments via trucking companies, commercial airlines, air cargo carriers, railroads, ocean carriers and other non-asset based third-party providers. We select the carrier for a shipment based on route, departure time, available cargo capacity and cost. We may charter cargo aircraft and/or ocean vessels from time to time depending upon seasonality, freight volumes and other factors. We generate our gross margin on the difference between what we charge to our customers for the services provided to them, and what we pay to the transportation providers to transport the freight.

We are organized functionally in two geographic operating segments: U.S. and Canada. Our transportation services for both the U.S. and Canada segments can be broadly placed into the categories of freight forwarding and freight brokerage services:

Freight forwarding. As a freight forwarder, we operate as a non-asset based carrier providing domestic and international air and ocean freight forwarding services. Our freight forwarding operations involve obtaining shipment or material orders from customers, creating and delivering a wide range of logistics solutions to meet customers' specific requirements for transportation and related services, and arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. We arrange for transportation of our customers' shipments via trucking companies, commercial airlines, air cargo carriers, ocean carriers and other asset and non-asset based third-party providers. We select the carrier for a shipment based on route, departure time, available cargo capacity and cost. We charter cargo aircraft from time to time depending upon seasonality, freight volumes and other factors.

Freight brokerage. We also provide significant bi-modal brokerage capabilities providing truck load, LTL and intermodal services throughout the United States and Canada, which is managed through our centralized service centers in Chicago, Illinois and Toronto, Ontario. We offer temperature-controlled, dry van, intermodal drayage, and flatbed services and specialize in the transport of food and beverage, consumer packaged goods and frozen food and refrigerated products.

As a truck broker, we match the customers' needs with carriers' capacity to provide the most effective combination of service and price. We have contracts with a substantial number of carriers allowing us to meet the varied needs of our customers. As part of the truck brokerage services, we negotiate rates, track shipments in transit and handle claims for freight loss and damage on behalf of our customers. For our LTL service, we employ a point-to-point model that we believe serves as a competitive advantage over the traditional hub and spoke LTL model in terms of faster transit times, lower incidence of damage, and reduced fuel consumption.

As an intermodal services company, we arrange for the movement of our customers' freight in containers, trailers and rail boxcars, typically over long distances of at least 750 miles. We contract with railroads to provide transportation for the long-haul portion of the shipment and with local trucking companies, known as "drayage companies," for pickup and delivery. As part of our intermodal services, we negotiate rail and drayage rates, electronically track shipments in transit, consolidate billing and handle claims for freight loss or damage on behalf of our customers.

To complement our core transportation service offerings, we also provide a number of value-added services, including customs brokerage and MM&D solutions.

Information Services

The regular enhancement of our information systems and ultimate migration of acquired companies and additional strategic operating partners to a common set of back-office and customer facing applications is a key component of our growth strategy. We believe that the ability to provide accurate real-time information on the status of shipments has become increasingly important and that our efforts in this area will result in competitive service advantages. In addition, we believe that centralizing our transportation management system (rating, routing, tender and financial settlement processes) will continue to drive significant productivity improvement across our network.

In our forwarding operations, we use a web-enabled third-party transportation management system (Cargowise) that is integrated to our third-party accounting system (SAP). These systems combine to form the foundation of our supply-chain technologies, which we call "Globalvision", and which provides us with a common set of back-office operating, accounting and customer facing applications used across our network. In our brokerage operations, we utilize Wheels' TEDS system for transportation management and Megatrans for intermodal services. In our warehousing operations, we use Microsoft’s Navision. These systems are connected to Epicor for accounting and financial reporting. All brokerage systems are integrated with “Wheelslink”, our online customer facing application providing information and reporting across all services. We are in the initial stages of migrating these various operating and financial reporting systems to a singular SAP-based platform. We are taking a phased approach to these migrations and are currently working to transition our domestic freight forwarding services to our new SAP-based transportation management system. Future phases will include the transition of our international freight forwarding services and our legacy brokerage transportation management and financial reporting systems to SAP.

Sales and Marketing

We principally market our services through our network of Company-owned and strategic operating partner locations across North America. Each office is staffed with operational employees to provide support for the sales team, develop frequent contact with the customer’s traffic department, and maintain customer service. Our current network is predominantly represented by strategic operating partners that rely on us for operating authority, technology, sales and marketing support, access to working capital, our carrier and international partners networks, and collective purchasing power. Through this collaboration, our strategic operating partners have the ability to focus on the operational and sales support aspects of the business without diverting costs or expertise to the structural aspect of their operations, providing our partners with the regional, national and global brand recognition that they would not otherwise be able to achieve by solely serving their local market. We have no customers or strategic operating partners that separately account for more than 5% of our consolidated net revenues, although we do have a number of significant customers and strategic operating partner locations with volume and stature, the loss of one or more of which could negatively impact our ability to retain and service our customers.

Research and Development

During the past two fiscal years, we have not spent any material amount on research and development activities.

Competition and Business Conditions

The logistics business is directly impacted by the volume of domestic and international trade. The volume of such trade is influenced by many factors, including economic and political conditions in the United States and abroad, major work stoppages, currency fluctuations, acts of war, terrorism and other armed conflicts, United States and international laws relating to tariffs, trade restrictions, foreign investments and taxation. Recent changes initiated by the United States to existing tariff agreements and changes to the North American Free Trade Agreement could result in significant changes to our freight volumes.

The global transportation and logistics services industry is intensively competitive and is expected to remain so for the foreseeable future. We will compete against asset based and other non-asset based third-party logistics companies, consultants, information technology vendors and shippers' transportation departments. This competition is based primarily on rates, quality of service (such as damage-free shipments, on-time delivery and consistent transit times), reliable pickup and delivery and scope of operations. Certain of our competitors have substantially greater financial resources than we do. However, we believe the incremental service offerings enabled through our acquisition strategy (e.g. Wheels' truck brokerage and intermodal capabilities) will serve as a catalyst for margin expansion in our existing business and a competitive differentiator in the marketplace to help us secure new customers and attract additional strategic operating partners to our network.

Business Organization

We have two geographic operating segments: United States and Canada. Further information regarding our geographic operating segments may be found in Part II, Item 7 of this Annual Report on Form 10-K under the subheading "Results of Operations," and in the "Notes to the consolidated financial statements" in Note 14, "Operating and Geographic Segment Information."

Regulation

Interstate and international transportation of freight is highly regulated. Failure to comply with applicable state and federal regulations, or to maintain required permits or licenses, can result in substantial fines or revocation of operating permits or authorities imposed on both transportation intermediaries and their shipper customers. We cannot give assurance as to the degree or cost of future regulations on our business. Some of the regulations affecting our current and prospective operations are described below.

Air freight forwarding operations are subject to regulation, as an indirect air cargo carrier, under the Federal Aviation Act as enforced by the Federal Aviation Administration of the U.S. Department of Transportation, and the Transportation Security Administration of the Department of Homeland Security. While air freight forwarders are exempted from most of the Federal Aviation Act's requirements by the Economic Aviation Regulations, the industry is subject to ongoing regulatory and legislative developments that can impact the economics of the industry by requiring changes to operating practices or influencing the demand for, and the costs of, providing services to customers.

Surface freight forwarding operations are subject to various state and federal statutes, and are regulated by the Federal Motor Carrier Safety Administration of the U.S. Department of Transportation and, to a very limited extent, the Surface Transportation Board. These federal agencies have broad investigatory and regulatory powers, including the power to issue a certificate of authority or license to engage in the business, to approve specified mergers, consolidations and acquisitions, and to regulate the delivery of some types of domestic shipments and operations within particular geographic areas.

The Federal Motor Carrier Safety Administration also has the authority to regulate interstate motor carrier operations, including the regulation of certain rates, charges and accounting systems, to require periodic financial reporting, and to regulate insurance, driver qualifications, operation of motor vehicles, parts and accessories for motor vehicle equipment, hours of service of drivers, inspection, repair, maintenance standards and other safety related matters. The federal laws governing interstate motor carriers have both direct and indirect application to the Company. The breadth and scope of the federal regulations may affect our operations and the motor carriers that are used in the provisioning of the transportation services. In certain locations, state or local permits or registrations may also be required to provide or obtain intrastate motor carrier services.

The Federal Maritime Commission, or FMC, regulates and licenses ocean forwarding operations. Non-vessel operating common carriers are subject to FMC regulation, under the FMC tariff filing and surety bond requirements, and under the Shipping Act of 1984, particularly those terms proscribing rebating practices.

United States customs brokerage operations are subject to the licensing requirements of the Bureau of Customs and Border Protection of the Department of Homeland Security. Likewise, any customs brokerage operations must also be licensed in and subject to the regulations of countries into which freight is imported.

Employees

As of June 30, 2018, we have 728 employees, of which 699 are full time. None of these employees are covered by a collective bargaining agreement. We have experienced no work stoppages and consider our relations with our employees to be good.

Available Information

We maintain a website at www.radiantdelivers.com. We are not including the information contained on our website as a part of, nor incorporating it by reference into, this Annual Report on Form 10-K. We post on our website, free of charge, documents that we file with or furnish to the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. These reports are also available free of charge on the SEC website at www.sec.gov.

ITEM 1A. RISK FACTORS

RISKS PARTICULAR TO OUR BUSINESS

You should carefully consider the risk factors set forth below as well as the other information contained in or incorporated by reference into this Annual Report on Form 10-K before investing in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, you may lose all or part of your investment. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially adversely affect our business, financial condition or results of operations. The future trading price of shares of our common stock will be affected by the performance of our business relative to, among other things, competition, market conditions and general economic and industry conditions.

Risks Related to our Business

We need to maintain and expand our existing strategic operating partner network to increase revenues.

We sell our services through Company-owned locations operating under the Radiant and Wheels brands and through a network of independently-owned strategic operating partners throughout North America operating under the Airgroup, Adcom, DBA and Service by Air brands. For the years ended June 30, 2018 and 2017, approximately 59% and 62% of our consolidated net revenues were derived through our strategic operating partners. We believe our strategic operating partners will remain a critical component to our success for the foreseeable future. Although the terms of our strategic operating partner agreements vary widely, they generally cover the manner and amount of payments, the services to be performed, the length of the contract, and provide us with certain protections such as strategic operating partner-funded reserves against potential bad debts, indemnification obligations, and in certain instances include a personal guaranty of the independent owner(s) of the strategic operating partners. Additionally, certain of our strategic operating partner agreements may impose restrictions on us, including our ability to provide services in certain territories or to certain customers and our ability to hire employees of our strategic operating partners. Certain of our strategic operating partner agreements are for defined terms, while others are subject to “evergreen” terms, or contain automatic renewal provisions or are at-will on a month-to-month basis. Regardless of stated term, in most situations the agreements can be terminated by the strategic operating partner with prior notice. As certain agreements expire, there can be no assurance that we will be able to enter into new agreements that provide for the same terms and economics as those previously agreed upon, if at all. Thus, we are subject to the risk of strategic operating partner terminations and the failure or refusal of certain of our strategic operating partners to renew their existing agreements. This risk is often accentuated upon the acquisition of a new agency-based network. We have a number of customers and strategic operating partner locations with significant volume and stature, however, no single customer or strategic operating partner location represents more than 5% of our consolidated net revenues. We cannot be certain that we will be able to maintain and expand our existing strategic operating partner relationships or enter into new strategic operating partner relationships, or that new or renewed strategic operating partner relationships will be available on commercially reasonable terms. If we are unable to maintain and expand our existing strategic operating partner relationships, renew existing strategic operating partner relationships, or enter into new strategic operating partner relationships, we may lose customers, customer introductions and co-marketing benefits, and our operating results may be negatively impacted. We may also be restricted from growing in certain territories or with certain customers, except through our strategic operating partners.

If our strategic operating partners fail to maintain adequate reserves against unpaid customer invoices, or if we are unable to offset against commissions earned and payable by us to our strategic operating partners for unpaid customer invoices, our results of operations and financial condition may be adversely affected.

We derive a substantial portion of our revenue pursuant to agreements with strategic operating partners operating under our various brands. Under these agreements, each individual strategic operating partner is responsible for some or all of the collection of amounts due from customers being serviced by such strategic operating partner. Certain of our strategic operating partners are required to maintain a security deposit with us to be used to fund those customer accounts ultimately not collected by us. We charge each of the strategic operating partners for any accounts receivable aged beyond 90 days. If the strategic operating partner's deposit with us has been depleted, an amount will be owed to us by our strategic operating partner. Based on legacy contracts assumed upon acquisition, some strategic operating partners are not required to maintain a security deposit, however, they are still responsible for deficits and their strategic operating partner agreements provide that we may withhold all or a portion of future commissions payable to the strategic operating partner in satisfaction of any deficit. As of June 30, 2018, approximately $1.4 million was owed to us by our strategic operating partners, of which, approximately $.8 million was owed to us by our former British Columbia operating partner who recently closed their freight-forwarding operations, and from whom we have recently secured a default judgment and are in the process of collection proceedings. However, to the extent any of these strategic operating partners cease operations or are otherwise unable to replenish these deficit accounts, we would be at risk of loss for any such amount. We include such amounts in the allowance for doubtful accounts when it is probable the amounts owed will not be collected.

Failure to comply with obligations as an "indirect air carrier" could result in penalties and fines and limit our ability to ship freight.

We are regulated, among other things, as "indirect air carriers" by the Transportation Security Administration of the Department of Homeland Security. These agencies provide requirements, guidance and, in some cases, administer licensing requirements and processes applicable to the freight forwarding industry. We monitor our compliance and the compliance of our subsidiaries with such agency requirements. We rely on our strategic operating partners to monitor their own compliance, except when we are notified of a violation, when we may become involved. Failure to comply with these requirements, policies and procedures could result in penalties and fines. To date, a limited number of our strategic operating partners have been out of compliance with the "indirect air carrier" regulations, resulting in fines to us, which we attempt to collect from the strategic operating partners. There is no assurance that additional violations will not take place, which could result in penalties or fines or, in the extreme case, limits on our ability to ship freight.

Our business will be seriously harmed if we fail to develop, implement, maintain, upgrade, enhance, protect and integrate information technology systems.

We rely heavily on our information technology systems to efficiently run our business, and they are a key component of our growth strategy. To keep pace with changing technologies and customer demands, we must correctly interpret and address market trends and enhance the features and functionality of our technology platform in response to these trends, which may lead to significant ongoing software development or licensing costs. We may be unable to accurately determine the needs of our customers and strategic operating partners and the trends in the transportation services industry, or to design or license and implement the appropriate features and functionality of our technology platform in a timely and cost-effective manner, which could result in decreased demand for our services and a corresponding decrease in our revenues. Despite testing, external and internal risks, such as malware, insecure coding, "Acts of God," data leakage and human error pose a direct threat to our information technology systems and operations. We may also be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyber-attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to customers or others, diversion of resources, injury to our reputation and increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to resulting claims or liability could similarly involve substantial cost. We must maintain and enhance the reliability and speed of our information technology systems to remain competitive and effectively handle higher volumes of freight through our network and the various service modes we offer. If our information technology systems are unable to manage additional volume for our operations as our business grows, or if such systems are not suited to manage the various service modes we offer or businesses we acquire, our service levels and operating efficiency could decline. We expect customers and strategic operating partners to continue to demand more sophisticated, fully integrated information systems from their supply chain services providers. If we fail to hire and retain qualified personnel to implement, protect and maintain our information technology systems or if we fail to upgrade our systems to meet our customers' and strategic operating partners' demands, our business and results of operations could be seriously harmed. This could result in a loss of customers or a decline in the volume of freight we receive from customers.

In addition, acquired companies will need to be integrated with our information technology systems, which may cause additional training or licensing cost, along with potential delays and disruption. In such event, our revenue, financial results and ability to operate profitably could be negatively impacted. The challenges associated with integration of our acquisitions may increase these risks.

Our management information and financial reporting systems are spread across diverse platforms and geographies.

The growth of our business through acquisitions has resulted in our reliance on the accounting, business information, and other computer systems of these acquired entities to capture and transmit information concerning customer orders, carrier payment, payroll, and other critical business data. We are in the initial stages of migrating our various legacy operating and accounting systems to a new singular SAP-based system. As long as an acquired business remains on another information technology system, we face additional manual calculations, training costs, delays, and an increased possibility of inaccuracies in the data we use to manage our business and report our financial results. Any delay in compiling, assessing, and reporting information could adversely impact our business, our ability to timely react to changes in volumes, prices, or other trends, or to take actions to comply with financial covenants, all of which could negatively impact our stock price.

We depend on third-party carriers to transport our customers' cargo.

We rely on commercial airfreight carriers and air charter operators, ocean freight carriers, trucking companies, major U.S. railroads, other transportation companies, draymen and longshoremen for the movement of our customers' cargo. Consequently, our ability to provide services for our customers could be adversely impacted by, among other things: shortages in available cargo capacity; changes by carriers and transportation companies in policies and practices such as scheduling, pricing, payment terms and frequency of service, increases in the cost of fuel, taxes and labor, changes in the financial stability or operating capabilities of carriers, and other factors not within our control. Reductions in airfreight or ocean freight capacity could negatively impact our yields. Material interruptions in service or stoppages in transportation, whether caused by strike, work stoppage, lock-out, slowdown or otherwise, could adversely impact our business, results of operations and financial condition.

In addition, any determination that our third-party carriers have violated laws and regulations could seriously damage our reputation and brands, resulting in diminished revenue and profit and increased operating costs.

Our profitability depends on our ability to effectively manage our cost structure as we grow the business.

We have increased, and intend to further increase, our revenue through organic growth, adding strategic operating partners, and acquisitions. We believe that certain of our costs, such as those related to information technology, physical locations, senior management, and sales and general operations, and excluding non-cash amortization, should grow more slowly than our net revenue, which would lead to improved cash flow margins over time. Historically, our cash flow margins have fluctuated, and have not always improved as we have grown. To the extent we fail to manage our costs, including purchased transportation, strategic operating partner commissions, personnel expenses, and sales and general expenses, our profitability may not improve or may decrease. This could adversely impact our business, results of operation, financial condition, and the trading price of our common stock.

Our business is subject to seasonal trends.

Historically, our operating results have been subject to seasonal trends when measured on a quarterly basis. Our first and fourth fiscal quarters are traditionally weaker compared with our second and third fiscal quarters. As a result, our quarterly operating results are likely to continue to fluctuate. This trend is dependent on numerous factors, including the markets in which we operate, holiday seasons, climate, economic conditions and numerous other factors. A substantial portion of our revenue is derived from customers in industries whose shipping patterns are tied closely to consumer demand which can sometimes be difficult to predict or are based on just-in-time production schedules. Therefore, our revenue is, to a large degree, affected by factors that are outside of our control. There can be no assurance that our historic operating patterns will continue in future periods as we cannot influence or forecast many of these factors.

Comparisons of our operating results from period to period are not necessarily meaningful and should not be relied upon as an indicator of future performance.

Our operating results have fluctuated in the past and likely will continue to fluctuate in the future because of a variety of factors, many of which are beyond our control. A substantial portion of our revenue is derived from customers in industries whose shipping patterns are tied closely to economic trends and consumer demand that can be difficult to predict, or are based on just-in-time production schedules. Because our quarterly revenues and operating results vary significantly, comparisons of our results from period to period are not necessarily meaningful and should not be relied upon as an indicator of future performance. Additionally, the timing of acquisitions, as well as the revenue and expenses of the acquired operations, the transaction expenses, amortization of intangible assets, and interest expense associated with acquisitions can make our operating results from period to period difficult to compare. Accordingly, there can be no assurance that our historical operating patterns will continue in future periods or that comparisons to prior periods will be meaningful.

Economic recessions and other factors that reduce freight volumes could have a material adverse impact on our business.

The transportation industry historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in business cycles of our customers, interest rate fluctuations and other economic factors beyond our control. Deterioration in the economic environment subjects our business to various risks that may have a material impact on our operating results and cause us to not reach our long-term growth goals, and which may include the following:

- a reduction in overall freight volumes in the marketplace reduces our opportunities for growth. In addition, if a downturn in our customers' business cycles causes a reduction in the volume of freight shipped by those customers, our operating results could be adversely affected;
- some of our customers may face economic difficulties and may not be able to pay us, and some may go out of business. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase;
- a significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment or other transportation services to meet our commitments to our customers; and
- we may not be able to appropriately adjust our expenses to changing market demands. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing level to our business needs. In addition, we have other primarily variable expenses that are fixed for a period of time, and we may not be able to adequately adjust them in a period of rapid change in market demand.

Higher carrier prices may result in decreased net revenue margin.

Carriers can be expected to charge higher prices if market conditions warrant, or to cover higher operating expenses. Our net revenues and income from operations may decrease if we are unable to increase our pricing to our customers. Increased demand for truckload services and pending changes in regulations may reduce available capacity and increase carrier pricing.

We face intense competition in the freight forwarding, freight brokerage, logistics and supply chain management industry.

The freight forwarding, freight brokerage, logistics and supply chain management industry is intensely competitive and is expected to remain so for the foreseeable future. We face competition from a number of companies, including many that have significantly greater financial, technical and marketing resources. Customers increasingly are turning to competitive bidding processes, in which they solicit bids from a number of competitors, including competitors that are larger than us. Increased competition may lead to revenue reductions, reduced profit margins, or a loss of market share, any one of which could harm our business. There are many factors that could impair our profitability, including the following:

- competition with other transportation services companies, some of which have a broader coverage network, a wider range of services, more fully developed information technology systems and greater capital resources than we do;
- reduction by our competitors of their rates to gain business, especially during times of declining growth rates in the economy, which reductions may limit our ability to maintain or increase rates, maintain our operating margins or maintain significant growth in our business;
- shift in the business of shippers to asset-based trucking companies that also offer brokerage services in order to secure access to those companies' trucking capacity, particularly in times of tight industry-wide capacity;
- solicitation by shippers of bids from multiple transportation providers for their shipping needs and the resulting depression of freight rates or loss of business to competitors; and

- establishment by our competitors of cooperative relationships to increase their ability to address shipper needs.

Our industry is consolidating and if we cannot gain sufficient market presence, we may not be able to compete successfully against larger companies in our industry.

There currently is a trend within our industry towards consolidation of the niche players into larger companies that are attempting to increase global operations through the acquisition of regional and local freight forwarders, brokers, and other freight logistics providers. If we cannot gain sufficient market presence or otherwise establish a successful strategy in our industry, we may not be able to compete successfully against larger companies in our industry.

If we are not able to limit our liability for customers' claims for loss or damage to their goods through contract terms and limit our exposure through the purchase of insurance, we could be required to pay large amounts to our customers as compensation for their claims and our results of operations could be materially adversely affected.

In our freight forwarding operations, we have liability under law to our customers for loss or damage to their goods. We attempt to limit our exposure through release limits, indemnification by the air, ocean, and ground carriers that transport the freight, and insurance. Moreover, because a freight forwarder relationship to an airline or ocean carrier is that of a shipper to a carrier, the airline or ocean carrier generally assumes the same responsibility to us as we assume to our customers. When we act in the capacity of an authorized agent for an air or ocean carrier, the carrier, rather than us, assumes liability for the safe delivery of the customer's cargo to its ultimate destination, unless due to our own errors and omissions. However, these efforts may prove unsuccessful and we may be liable for loss and damage to the goods.

In addition to legal liability, from time to time customers exert economic pressure when the underlying carrier fails to cover the costs of loss or damage. We have, from time to time, made payments to our customers for claims related to our services and may make such payments in the future. Should we experience an increase in the number or size of such claims or an increase in liability pursuant to claims or unfavorable resolutions of claims, our results could be adversely affected.

There can be no assurance that our insurance coverage will provide us with adequate coverage for such claims or that the maximum amounts for which we are liable in connection with our services will not change in the future or exceed our insurance levels. As with every insurance policy, there are limits, exclusions and deductibles that apply, and we could be subject to claims for which insurance coverage may be inadequate or even disputed and such claims could adversely impact our financial condition and results of operations. In addition, significant increases in insurance costs could reduce our profitability.

We may be subject to claims arising from transportation of freight by the carriers with which we contract.

We use the services of thousands of transportation companies in connection with our transportation operations. From time to time, the drivers employed and engaged by the carriers we contract with are involved in accidents which may result in death or serious personal injuries. The resulting types and/or amounts of damages may be excluded from or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not our employees and all of these drivers are employees, owner-operators, or independent contractors working for carriers, from time to time, claims may be asserted against us for their actions, or for our actions in retaining them. Claims against us may exceed the amount of our insurance coverage or may not be covered by insurance at all. A material increase in the frequency or severity of accidents, liability claims or workers' compensation claims, or unfavorable resolutions of claims could materially and adversely affect our operating results. In addition, significant increases in insurance costs or the inability to purchase insurance as a result of these claims could reduce our profitability. Our involvement in the transportation of certain goods, including but not limited to hazardous materials, could also increase our exposure in the event one of our contracted carriers is involved in an accident resulting in injuries or contamination.

We are subject to various claims and lawsuits that could result in significant expenditures.

Our business exposes us to claims and litigation related to damage to cargo, labor and employment practices (including wage-and-hour, employment classification of independent contractor drivers, sales representatives, brokerage agents and other individuals, and other federal and state claims), personal injury, property damage, business practices, environmental liability and other matters. We carry insurance to cover most exposures, subject to specific coverage exceptions, aggregate limits, and self-insured retentions that we negotiate from time to time. However, not all claims are covered, and there can be no assurance that our coverage limits will be adequate to cover all amounts in dispute. For example, we are currently defending an employment-based claim with a wage and hour component that would not be covered by our insurance (description included in this report). We are unable to determine the likelihood of a successful defense or the ultimate amount of any damages that would be awarded. To the extent we experience claims that are uninsured, exceed our coverage limits, or involve significant aggregate use of our self-insured retention amounts, the expenses could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the quarter in which the amounts are accrued. In addition, in the future, we may be subject to higher insurance premiums or increase our self-insured retention amounts, which could increase our overall costs or the volatility of claims expense.

Our failure to comply with, or the costs of complying with, government regulation could negatively affect our results of operation.

Our business is subject to evolving, complex and increasing regulation by national and international sources. Regulatory changes could affect the economics of our industry by requiring changes in operating practices or influencing the demand for, and the costs of providing, services to customers. Future regulation and our failure to comply with any applicable regulations could have a material adverse effect on our business.

If we are unable to maintain our brand images and corporate reputation, our business may suffer.

Our success depends in part on our ability to maintain the image of the Radiant, Wheels, Airgroup, Adcom, DBA and Service by Air brands and our reputation for providing excellent service to our customers. Service quality issues, actual or perceived, even when false or unfounded, could tarnish the image of our brand and may cause customers to use other freight-forwarding companies. Damage to our reputation and loss of brand equity could reduce demand for our services and thus have an adverse effect on our business, financial position and results of operations, and could require additional resources to rebuild our reputation and restore the value of our brands.

Issues related to the intellectual property rights on which our business depends, whether related to our failure to enforce our own rights or infringement claims brought by others, could have a material adverse effect on our business, financial condition and results of operations.

We use both internally developed and purchased technology in conducting our business. Whether internally developed or purchased, it is possible that the user of these technologies could be claimed to infringe upon or violate the intellectual property rights of third-parties. In the event that a claim is made against us by a third-party for the infringement of intellectual property rights, any settlement or adverse judgment against us either in the form of increased costs of licensing or a cease and desist order in using the technology could have an adverse effect on us and our results of operations.

We also rely on a combination of intellectual property rights, including copyrights, trademarks, domain names, trade secrets, intellectual property licenses and other contractual rights, to establish and protect our intellectual property and technology. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated; our trade secrets and other confidential information could be disclosed in an unauthorized manner to third-parties or we may fail to secure the rights to intellectual property developed by our employees, contractors and others. Given our international operations, we seek to register our trademarks and other intellectual property domestically and internationally. The laws of certain foreign countries may not protect trademarks to the same extent as do the laws of the United States. Efforts to enforce our intellectual property rights may be time consuming and costly, distract management's attention and resources and ultimately be unsuccessful. Moreover, our failure to develop and properly manage new intellectual property could adversely affect our market positions and business opportunities.

Our failure to obtain, maintain and enforce our intellectual property rights could therefore have a material adverse effect on our business, financial condition and results of operations.

We may not successfully manage our growth.

We intend to grow rapidly and substantially, including by expanding our internal resources, by making acquisitions and entering into new markets. We may experience difficulties and higher-than-expected expenses in executing this strategy as a result of unfamiliarity with new markets, and change in revenue and business models.

Our growth will place a significant strain on our management, operational and financial resources. We will need to continually improve existing procedures and controls as well as implement new transaction processing, operational and financial systems, and procedures and controls to expand, train and manage our employee base. Our working capital needs will increase substantially as our operations grow. Failure to manage growth effectively, or obtain necessary working capital, could have a material adverse effect on our business, results of operations, cash flows, stock price and financial condition.

Our loans and credit facilities contain financial covenants that may limit current availability and impose ongoing operational limitations and risk of compliance.

We currently maintain (i) a USD$75.0 million revolving 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), pursuant to an Amended and Restated Loan and Security Agreement, as amended, (ii) 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"), and (iii) a CAD$10.0 million senior secured Canadian term loan from Integrated Private Debt Fund V LP ("IPD V") 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"). Repayment of the foregoing credit facilities is secured by our assets and the assets of our subsidiaries, including, without limitation, all of the capital stock of our subsidiaries.

Under the terms of the foregoing credit facilities, we are required to comply with certain financial covenants, depending on the type of loan facility and whether certain conditions are triggered. In addition, under the IPD Loan Agreements, we are required to maintain (i) a fixed charge coverage ratio of 1.1 to 1.0, (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.

Our compliance with the financial covenants of our credit facilities is particularly important given the materiality of such facilities to our day-to-day operations and overall acquisition strategy. If we fail to comply with these covenants and are unable to secure a waiver or other relief, our financial condition would be materially weakened and our ability to fund day-to-day operations would be materially and adversely affected. Accordingly, we intend to employ EBITDA and adjusted EBITDA as management tools to measure our historical financial performance and as a benchmark for future financial flexibility.

Under our credit facilities, we are prohibited from declaring and paying dividends unless: (i) there are no existing events of default under the credit facility or an event of default would not be caused by the declaration or payment of such dividend, and (ii) upon giving pro forma effect to the dividend, (1) the amount available under the credit facility after the pro forma effect of such dividend is equal to the greater of 15% of the U.S. borrowing base under the Senior Credit Facility or $15.0 million, and (2) U.S. availability is at least $10.0 million.

We operate with a significant amount of indebtedness, which is secured by substantially all of our assets and subject to variable interest rates and restrictive covenants.

Our substantial indebtedness could have adverse consequences, such as:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness with our lenders, which could reduce the availability of our cash flow to fund future operating capital, capital expenditures, acquisitions and other general corporate purposes;
- expose us to the risk of increased interest rates, as a substantial portion of our borrowings are at variable rates of interest;
- require us to sell assets to reduce indebtedness or influence our decisions about whether to do so;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- restrict us from making strategic acquisitions, buying assets or pursuing business opportunities; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

In addition, violating covenants in these agreements could have a material adverse effect on our business, financial condition and results of operations. Consequences if the violations are not cured or waived could include substantially increasing our cost of borrowing, restricting our future operations, termination of our lenders' commitments to supply us with further funds, cross defaults to other obligations, or acceleration of our obligations. If some or all of our obligations are accelerated, we may not be able to fully repay them.

Dependence on key personnel.

For the foreseeable future, our success will depend largely on the continued services of our Chairman and Chief Executive Officer, Bohn H. Crain, as well as certain of our other key executives and executives of our acquired businesses because of their collective industry knowledge, marketing skills and relationships with vendors, customers and strategic operating partners. Should any of these individuals leave us, we could have difficulty replacing them with qualified individuals and it could have a material adverse effect on our future results of operations.

Our results of operations could vary as a result of the methods, estimates, and judgments that we use in applying our accounting policies.

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on our results of operations (see “Critical Accounting Policies” in Part II, Item 7 of this report). Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties, and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations.

Terrorist attacks and other acts of violence, anti-terrorism measures or war may affect our operations and our profitability.

As a result of the potential for terrorist attacks, federal, state and municipal authorities have implemented and continue to follow various security measures, including checkpoints and travel restrictions on large trucks. Such measures may reduce the productivity of our independent contractors and transportation providers or increase the costs associated with their operations, which we could be forced to bear. For example, security measures imposed at bridges, tunnels, border crossings and other points on key trucking routes may cause delays and increase the non-driving time of our independent contractors and transportation providers, which could have an adverse effect on our results of operations. We also have higher costs due to mandated security screening of air cargo traveling on passenger airlines and ocean freight. War, risk of war, or a terrorist attack also may have an adverse effect on the economy. A decline in economic activity could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war also could impact our ability to raise capital. In addition, the insurance premiums charged for some or all of the coverage currently maintained by us could increase dramatically or such coverage could be unavailable in the future.

We intend to continue growing our international operations and will become increasingly subject to variations in the international trade market.

We provide services to customers engaged in international commerce, and intend to grow our international business in the coming years. For the years ended June 30, 2018 and 2017, international transportation revenue accounted for 36% and 35% of our net revenue, respectively. International transportation revenue is defined as any shipment with an initiation or destination point outside of the United States. All factors that affect international trade have the potential to expand or contract our international business and impact our operating results. For example, international trade is influenced by, among other things:

- currency exchange rates and currency control regulations;
- interest rate fluctuations;
- changes in governmental policies, such as taxation, quota restrictions, tariffs, other forms of trade barriers and/or restrictions and trade accords;
- changes in and application of international and domestic customs, trade and security regulations;
- wars, strikes, civil unrest, acts of terrorism, and other conflicts, such as the conflict that has led to the imposition of economic sanctions by the United States and the European Union against Russia;
- natural disasters and pandemics;
- changes in consumer attitudes regarding goods made in countries other than their own;
- changes in availability of credit;
- economic conditions in other countries and regions;
- changes in supply chain design including those resulting from near shoring, widening and deepening of canals, and port congestion or disruption;
- changes in the price and readily available quantities of oil and other petroleum-related products; and
- increased global concerns regarding environmental sustainability.

If any of the foregoing factors have a negative effect on the international trade market, we could suffer a decrease in our international business, which could have a material adverse effect on our results of operations and financial condition.

In connection with our international business, we are subject to certain foreign regulatory requirements, and any failure to comply with these requirements could be detrimental to our business.

We provide services in parts of the world where common business practices could constitute violations of the anticorruption laws, rules, regulations and decrees of the United States, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and of all other countries in which we conduct business; as well as trade control laws, or laws, regulations and Executive Orders imposing embargoes and sanctions; and anti-boycott laws and regulations. Compliance with these laws, rules, regulations and decrees is dependent on our employees, subcontractors, consultants, agents, third-party brokers and customers, whose individual actions could violate these laws, rules, regulations and decrees. Failure to comply could result in substantial penalties, damages to our reputation and restrictions on our ability to conduct business. In addition, any investigation or litigation related to such violations may require significant management time and could cause us to incur extensive legal and related costs, all of which may have a material adverse effect on our results of operations and operating cash flows.

International operations expose us to currency exchange risk and we cannot predict the effect of future exchange rate fluctuations on our business and operating results.

We generate a significant portion of revenues from our international operations, including a substantial amount in Canada. During the year ended June 30, 2018, approximately 36% of our net revenues were generated from international operations. Our international operations are sensitive to currency exchange risks. We have currency exposure arising from both sales and purchases denominated in foreign currencies, as well as intercompany transactions. Significant changes in exchange rates between foreign currencies in which we transact business and the U.S. dollar may adversely affect our results of operations and financial condition. Historically, we have not entered into any hedging activities, and, to the extent that we continue not to do so in the future, we may be vulnerable to the effects of currency exchange-rate fluctuations.

In addition, our international operations also expose us to currency fluctuations as we translate the financial statements of our foreign operations to the U.S. dollar. There can be no guarantee that the effect of currency fluctuations will not be material in the future.

Ineffective internal controls could impact our business and operating results as well as our public reporting and stock price.

We have grown rapidly and face additional challenges of disparate systems and geographically dispersed management. Our internal controls over financial reporting and disclosure are strained at times due to acquisitions and other corporate development activities.

Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed, and we could fail to meet our financial reporting obligations.

Risks Related to our Acquisition Strategy

There is a scarcity of and competition for acquisition opportunities.

There are a limited number of operating companies available for acquisition that we deem to be desirable targets. In addition, there is a very high level of competition among companies seeking to acquire these operating companies. We are and will continue to be a very minor participant in the business of seeking acquisitions of these types of companies. A large number of established and well-financed entities are active in acquiring interests in companies that we may find to be desirable acquisition candidates. Many of these entities have significantly greater financial resources, technical expertise and managerial capabilities than us. Consequently, we will be at a competitive disadvantage in negotiating and executing possible acquisitions of these businesses. Even if we are able to successfully compete with these entities, this competition may affect the terms of completed transactions and, as a result, we may pay more or receive less favorable terms than we expected for potential acquisitions. We may not be able to identify operating companies that complement our strategy, and even if we identify a company that complements our strategy, we may be unable to complete an acquisition of such a company for many reasons, including:

- failure to agree on the terms necessary for a transaction, such as the purchase price;
- incompatibility between our operational strategies or management philosophies with those of the potential acquiree;

- competition from other acquirers of operating companies;
- lack of sufficient capital to acquire a profitable logistics company;
- unwillingness of a potential acquiree to agree to subordinate any future payment of earn-outs or promissory notes to the payments due to our lenders; and
- unwillingness of a potential acquiree to work with our management.

Risks related to acquisition financing.

We have a limited amount of financial resources and our ability to make additional acquisitions without securing additional financing from outside sources is limited. In order to continue to pursue our acquisition strategy, we may be required to obtain additional financing. We may obtain such financing through a combination of traditional debt financing or the placement of debt and equity securities. We may finance some portion of our future acquisitions by either issuing equity or by using shares of our common stock for all or a portion of the purchase price for such businesses. 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 common stock as part of the purchase price for the sale of their businesses, we may be required to use more of our cash resources, if available, in order to maintain our acquisition program. If we do not have sufficient cash resources, we will not be able to complete acquisitions and our growth could be limited unless we are able to obtain additional capital through debt or equity financings. The terms of our credit facility require that we obtain the consent of our lenders prior to securing additional debt financing. There could be circumstances in which our ability to obtain additional debt financing could be constrained if we are unable to secure such consent.

Our credit facilities place certain limits on the acquisitions we may make.

Under the terms of our credit facilities, we may be required to obtain the consent of each of our lenders prior to making any additional acquisitions.

We are permitted to make additional acquisitions without the consent of the lenders only if certain conditions are satisfied. These conditions 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, Canada 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), the pro forma fixed charge coverage ratio is greater than or equal to 1.1 to 1.0, and (vi) 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. In addition, under the IPD Loan Agreements, the aggregate cash consideration shall not exceed $10.0 million for any single transaction and $25.0 million in the aggregate in any fiscal year.

In the event we are not able to satisfy the conditions of our credit facilities in connection with a proposed acquisition, we must either forego the acquisition, obtain the consent of the lenders, or retire the credit facility. This may prevent us from completing acquisitions that we determine are desirable from a business perspective and limit or slow our ability to achieve the critical mass we need to achieve our strategic objectives.

To the extent we make any material acquisitions, our earnings will be adversely affected by non-cash charges relating to the amortization of intangible assets, which may cause our stock price to decline.

Under applicable accounting standards, purchasers are required to allocate the total consideration paid in a business combination to the identified acquired assets and liabilities based on their fair values at the time of acquisition. The excess of the consideration paid to acquire a business over the fair value of the identifiable tangible assets acquired must be allocated among identifiable intangible assets including goodwill. The amount allocated to goodwill is not subject to amortization. However, it is tested at least annually for impairment. The amount allocated to identifiable intangible assets, such as customer relationships and the like, is amortized over the life of these intangible assets. We expect that this will subject us to periodic charges against our earnings to the extent of the amortization incurred for that period. Because our business strategy focuses, in part, on growth through acquisitions, our future earnings will be subject to greater non-cash amortization charges than a company whose earnings are derived solely from organic growth. As a result, we will experience an increase in non-cash charges related to the amortization of intangible assets acquired in our acquisitions. Our financial statements will show that our intangible assets are diminishing in value, even if the acquired businesses are increasing (or not diminishing) in value. Because of this discrepancy, we believe our EBITDA, a measure of financial performance that does not conform to generally accepted accounting principles ("GAAP"), provides a meaningful measure of our financial performance. However, the investment community generally measures a public company's performance by its net income. Further, the financial covenants of our credit facility adjust EBITDA to exclude costs related to share-based compensation and other non-cash charges. Thus, we believe that EBITDA and adjusted EBITDA provide a meaningful measure of our financial performance. If the investment community elects to place more emphasis on net income, the future price of our common stock could be adversely affected.

We are not obligated to follow any particular criteria or standards for identifying acquisition candidates.

Other than as required under the credit facility, we are not obligated to follow any particular operating, financial, geographic or other criteria in evaluating candidates for potential acquisitions or business combinations. We will determine the purchase price and other terms and conditions of acquisitions. Our stockholders will not have the opportunity to evaluate the relevant economic, financial and other information that our management team will use and consider in deciding whether or not to enter into a particular transaction.

We may be required to incur a significant amount of indebtedness in order to successfully implement our acquisition strategy.

Subject to the restrictions contained under our current credit facilities, we may be required to incur a significant amount of indebtedness in order to complete future acquisitions. If we are not able to generate sufficient cash flow from the operations of acquired businesses to make scheduled payments of principal and interest on the indebtedness, then we will be required to use our capital for such payments. This will restrict our ability to make additional acquisitions. We may also be forced to sell an acquired business in order to satisfy indebtedness. We cannot be certain that we will be able to operate profitably once we incur this indebtedness or that we will be able to generate a sufficient amount of proceeds from the ultimate disposition of such acquired businesses to repay the indebtedness incurred to make these acquisitions.

We may experience difficulties in integrating the operations, personnel and assets of acquired businesses that may disrupt our business, dilute stockholder value and adversely affect our operating results.

A core component of our business plan is to acquire businesses and assets in the transportation and logistics industry. There can be no assurance that we will be able to identify, acquire or profitably manage businesses or successfully integrate acquired businesses into the Company without substantial costs, delays or other operational or financial problems. Such acquisitions also involve numerous operational risks, including:

- difficulties in integrating operations, technologies, services and personnel;
- the diversion of financial and management resources from existing operations;
- the risk of entering new markets;
- the potential loss of existing or acquired strategic operating partners following an acquisition;
- the potential loss of key employees following an acquisition and the associated risk of competitive efforts from such departed personnel;
- possible legal disputes with the acquired company following an acquisition; and
- the inability to generate sufficient revenue to offset acquisition or investment costs.

As a result, if we fail to properly evaluate and execute any acquisitions or investments, our business and prospects may be seriously harmed.

In certain acquisitions, we may recognize non-cash gains or losses on changes in fair value of contingent consideration. We include contingent consideration based on future financial performance as a portion of the purchase price of certain acquisitions. To the extent that an acquired operation underperforms relative to anticipated earnings levels, we are able to set-off certain levels of future unpaid purchase price for such acquired operations. This will result in the recognition of a non-cash gain on the change in fair value of contingent consideration. In the alternative, to the extent an acquired operation outperforms anticipated earnings levels, we will recognize a non-cash expense on the change in fair value of contingent consideration. These non-cash gains and expenses may have a material impact on our financial results, and the impact could be opposite to the underlying results of the acquired operation.

Not every acquisition is structured utilizing contingent consideration. Our 2015 acquisitions of Wheels and SBA and our 2017 acquisition of Lomas were structured without using contingent consideration. We will be unable to reduce the purchase price of these entities if they underperform relative to anticipated earnings levels.

Claims against us or other liabilities we incur relating to any acquisition or business combination may necessitate our seeking claims against the seller for which the seller may not indemnify us or that may exceed the seller’s indemnification obligations.

There may be liabilities we assume in any acquisition or business combination that we did not discover or underestimated in the course of performing our due diligence investigation. A seller will normally have indemnification obligations to us under an acquisition or merger agreement, but these obligations will be subject to financial limitations, such as general deductibles and a cap, as well as time limitations. There can be no assurance that our right to indemnification from any seller will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the amount of any undiscovered or underestimated liabilities. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, results of operations or financial condition.

We may face competition from parties who sell us their businesses and from professionals who cease working for us.

In connection with our acquisitions, we generally obtain non-solicitation agreements from the professionals we hire, as well as non-competition agreements from senior managers and professionals. The agreements prohibit such individuals from competing with us during the term of their employment and for a fixed period afterwards and seeking to solicit our employees or clients. In some cases, but not all, we may obtain non-competition or non-solicitation agreements from parties who sell us their business or assets. Certain activities may be carved out of or otherwise may not be prohibited by these arrangements. We cannot assure that one or more of the parties from whom we acquire assets or a business or who do not join us or leave our employment will not compete with us or solicit our employees or clients in the future. Even if ultimately resolved in our favor, any litigation associated with the non-competition or non-solicitation agreements could be time consuming, costly and distract management's focus from locating suitable acquisition candidates and operating our business. Moreover, states and foreign jurisdictions may interpret restrictions on competition narrowly and in favor of employees.

Therefore, certain restrictions on competition or solicitation may be unenforceable. In addition, we may not pursue legal remedies if we determine that preserving cooperation and a professional relationship with the former employee or his clients, or other concerns, outweigh the benefits of any possible legal recourse or the likelihood of success does not justify the costs of pursuing a legal remedy. Such persons, because they have worked for us or a business that we acquire, may be able to compete more effectively with us, or be more successful in soliciting our employees and clients, than unaffiliated third-parties.

Risks Related to our Common Stock

The market price of our common stock may fluctuate significantly, and this may make it difficult for you to resell our common stock at times or at prices you find attractive.

The market price of our common stock may fluctuate significantly as a result of a number of factors, many of which are outside our control. The current market price of our common stock may not be indicative of future market prices. Fluctuations may occur in response to the other risk factors listed in this prospectus supplement and for many other reasons, including:

- actual or anticipated variations in earnings, financial or operating performance or liquidity, including those resulting from the seasonality of our business;
- our financial performance or the performance of our competitors and similar companies;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- changes in estimates of our performance or recommendations by securities analysts;
- failure to meet securities analysts' quarterly and annual projections;
- the impact of new federal or state regulations;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the introduction of new services by us or our competitors;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving us or our competitors;
- technological innovations or other trends in our industry;
- news affecting our customers;
- operating and stock performance of other companies deemed to be peers;
- regulatory or labor conditions applicable to us, our industry or the industries we serve;
- market conditions in our industry, the industries we serve, the financial markets and the economy as a whole;
- changes in our capital structure; and
-

sales of our common stock by us or members of our management team.

In addition, the stock market historically has experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of a particular company. These broad market fluctuations may cause declines in the market price of our common stock.

Volatility in the market price of our common stock may make it difficult for you to resell shares of our common stock when you want or at attractive prices. In addition, when the market price of a company's common stock drops significantly, stockholders often institute securities class action lawsuits against the Company. A lawsuit against us could cause us to incur substantial costs, including settlement costs or awards for legal damages, and could divert the time and attention of our management and other resources.

Provisions of our certificate of incorporation, bylaws and Delaware law may make a contested takeover more difficult.

Certain provisions of our certificate of incorporation, bylaws and the General Corporation Law of the State of Delaware ("DGCL") could deter a change in our management or render more difficult an attempt to obtain control of us, even if such a proposal is favored by a majority of our stockholders. For example, we are subject to the provisions of the DGCL that prohibit a public Delaware corporation from engaging in a broad range of business combinations with a person who, together with affiliates and associates, owns 15% or more of such corporation's outstanding voting shares (an "interested stockholder") for three years after the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Our certificate of incorporation provides that directors may only be removed for cause by the affirmative vote of 75% of our outstanding shares and that amendments to our bylaws require the affirmative vote of holders of two-thirds of our outstanding shares. Our certificate of incorporation also includes undesignated preferred stock, which may enable our board of directors to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise. Finally, our bylaws include an advance notice procedure for stockholders to nominate directors or submit proposals at a stockholders meeting.

Our Chairman and Chief Executive Officer controls a large portion of our common stock and has substantial control over us, which could limit other stockholders' ability to influence the outcome of key transactions, including changes of control.

Under applicable SEC rules, our Chairman and Chief Executive Officer, Bohn H. Crain, beneficially owns approximately 20% of our outstanding common stock as of June 30, 2018. Accordingly, Mr. Crain can exert substantial influence over our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders. Further, this concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stockholders.

Trading in our common stock has been limited.

Although our common stock is traded on the NYSE American, it remains relatively illiquid, or "thinly traded", as compared to the volume of trading activity associated with larger companies whose shares trade on the larger national exchanges. Because of this limited liquidity, stockholders may be unable to sell their shares at the prices or volumes they desire. The trading price of our shares may from time to time fluctuate widely. The trading price may be affected by a number of factors including events described in the risk factors set forth in this report as well as our operating results, financial condition, announcements, general conditions in the industry and the financial markets, and other events or factors. In recent years, broad stock market indices, in general, and smaller capitalization companies, in particular, have experienced substantial price fluctuations. In a volatile market, we may experience wide fluctuations in the market price of our common stock. These fluctuations may have a negative effect on the market price of our common stock.

The influx of additional shares of our common stock onto the market may create downward pressure on the trading price of our common stock.

We have completed many acquisitions which often include the issuance of additional shares pursuant to the purchase agreements. During the fiscal year ended June 30, 2018, we issued approximately 133,000 unregistered shares of our common stock as part of the purchase price, or associated with the financing of a transaction. In addition, we may issue additional shares in connection with such acquisitions upon the achievement of certain earn-out thresholds or in connection with future acquisitions as part of the purchase consideration. The availability of additional shares for sale to the public under Rule 144 of the Securities Act of 1933, as amended (the "Securities Act") and sale of such shares in public markets could have an adverse effect on the market price of our common stock. Such an adverse effect on the market price would make it more difficult for us to sell our equity securities in the future at prices we deem appropriate or to use our shares as currency for future acquisitions which will make it more difficult to execute our acquisition strategy.

The issuance of additional shares may result in additional dilution to our existing stockholders.

At any time, we may make private offerings of our securities. We have issued, and may be required to issue, additional shares of common stock or common stock equivalents in payment of the purchase price of businesses we have acquired. This will have the effect of further increasing the number of shares outstanding. In connection with future acquisitions, we may undertake the issuance of more shares of common stock without notice to our then existing stockholders. We may also issue additional shares in order to, among other things, compensate employees or consultants or for other valid business reasons in the discretion of our board of directors, which could result in diluting the interests of our existing stockholders.

The exercise or conversion of our outstanding options, warrants or other convertible securities or any derivative securities we issue in the future will result in the dilution of the ownership interests of our existing stockholders and may create downward pressure on the trading price of our common stock. We are currently authorized to issue 100 million shares of common stock. As of September 7, 2018, we had 49,447,208 outstanding shares of common stock. We may in the future issue up to 2,723,879 additional shares of our common stock upon exercise of existing options.

We may issue shares of preferred stock with greater rights than our common stock.

Our certificate of incorporation authorizes our board of directors to issue shares of preferred stock and to determine the price and other terms for those shares without the approval of our stockholders. Any such preferred stock we may issue in the future could rank ahead of our common stock in many ways, including in terms of dividends, liquidation rights, and voting rights.

As we do not anticipate paying dividends on our common stock, investors in our shares of common stock will not receive any dividend income.

We have not paid any cash dividends on our common stock since our inception and we do not anticipate paying cash dividends on our common stock in the foreseeable future. Any dividends that we may pay in the future will be at the discretion of our board of directors, and will depend on our future earnings, any applicable regulatory considerations, our financial requirements and other similarly unpredictable factors. Our ability to pay dividends on our common stock is further limited by the terms of our credit facilities and outstanding 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock (“Series A Preferred Shares”). Accordingly, investors seeking dividend income should not purchase our common stock.

If we are unable to pay quarterly dividends to the holders of our Series A Preferred Shares, we may be subject to additional penalties and requirements, all of which could have a negative effect on the holders of our common stock.

We are required to pay quarterly dividends on the shares of our Series A Preferred Shares equal to 9.75% per annum per $25.00 stated liquidation preference per Series A Preferred Share. If we do not pay dividends in full on the Series A Preferred Shares on any two dividend payment dates (whether consecutive or not), then the per annum dividend rate will increase by an additional 2.00% per $25.00 stated liquidation preference, or $0.50 per annum per Series A Preferred Share, commencing on and after the day following such second dividend payment date. On each subsequent dividend payment date on which cash dividends on the Series A Preferred Shares are not declared and paid, the annual dividend rate on the Series A Preferred Shares payable shall increase by an additional 2.00% per annum per $25.00 stated liquidation preference per Series A Preferred Share, up to a maximum annual dividend rate on the Series A Preferred Shares of 19.00%. The increase in dividend rates would have a detrimental effect on the value of the Company and the holders of its common stock.

In addition, while the voting rights of Series A Preferred Shares is extremely limited, in the event that we fail to pay six quarterly dividends, whether consecutive or not, on the Series A Preferred Shares or fail to maintain a listing on a national securities exchange, the holders of Series A Preferred Shares will have the right, voting together as a class with all other classes or series of parity securities upon which like voting rights have conferred and are exercisable, to elect two additional directors to serve on our board of directors. The appointment of such two designees to our board of directors could inhibit our ability to execute our business plan and pursue additional acquisitions.

If securities or industry analysts do not publish research about our business, or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock, to some extent, depends on the research and reports that securities or industry analysts publish about our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or lower their opinion of our shares, our share price may decline. If one or more of these analysts ceases coverage of our business or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Risks Related to our Series A Preferred Shares.

We cannot assure you that quarterly dividends on, or any other payments in respect of, the Series A Preferred Shares will be made timely or at all.

We cannot assure you that we will be able to pay quarterly dividends on the Series A Preferred Shares or to redeem the Series A Preferred Shares if we wanted to do so. Quarterly dividends on our Series A Preferred Shares will be paid from funds legally available for such purpose when, as and if declared by our board of directors. You should be aware that certain factors may influence our decision, or adversely affect our ability, to pay dividends on, or make other payments in respect of, our Series A Preferred Shares, including, among other things:

- the amount of our available cash or other liquid assets, including the impact of any liquidity shortfalls caused by the below-described restrictions on the ability of our subsidiaries to generate and transfer cash to us;
- any of the events described our filings with the SEC or the documents incorporated by reference herein or therein that impact our future financial position or performance;
- our ability to service and refinance our current and future indebtedness;
- changes in our cash requirements to fund capital expenditures, acquisitions or other operational or strategic initiatives;
- our ability to borrow or raise additional capital to satisfy our capital needs;
- restrictions imposed by our existing, or any future, credit facilities, debt securities or leases, including restricted payment and leverage covenants that could limit our ability to make payments to holders of the Series A Preferred Shares; and
- limitations on cash payments to stockholders under Delaware law, including limitations that require dividend payments be made out of surplus or, subject to certain limitations, out of net profits for the then-current or preceding year in the event there is no surplus.

Based on its evaluation of these and other relevant factors, our board of directors may, in its sole discretion, decide not to declare a dividend on the Series A Preferred Shares for any quarterly period for any reason, regardless of whether we have funds legally available for such purpose. In such event, the sole recourse will be the rights as a holder of Series A Preferred Shares specified in the certificate of designation for such shares, including the right to cumulative dividends and the further right under certain specified circumstances to additional interest and limited conditional voting rights.

In addition, under our Senior Credit Facility, we are prohibited from declaring and paying dividends unless: (i) there are no existing events of default under the Senior Credit Facility or an event of default would not be caused by the declaration or payment of such dividend, and (ii) the amount available under the credit facility after the pro forma effect of such dividend is at least $20.0 million and the U.S. availability is at least $12.5 million; or availability is at least the greater of 15% of the U.S. borrowing base under the credit facility, U.S. availability is at least $10.0 million and the pro forma fixed charge coverage ratio is at least 1.1 to 1.0.

The Series A Preferred Shares represent perpetual equity interests.

The Series A Preferred Shares represent perpetual equity interests in us and, unlike our indebtedness, will not entitle the holders thereof to receive payment of a principal amount at a particular date. As a result, holders of the Series A Preferred Shares may be required to bear the financial risks of an investment in the Series A Preferred Shares for an indefinite period of time. In addition, the Series A Preferred Shares will rank junior to all our indebtedness and other liabilities, and to any other senior securities we may issue in the future with respect to assets available to satisfy claims against us.

Increases in market interest rates may adversely affect the trading price of our Series A Preferred Shares.

One of the factors that will influence the trading price of our Series A Preferred Shares will be the dividend yield on the Series A Preferred Shares relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may reduce demand for our Series A Preferred Shares and would likely increase our borrowing costs and potentially decrease funds available for distribution. Accordingly, higher market interest rates could cause the market price of our Series A Preferred Shares to decrease.

The Series A Preferred Shares have not been rated, and the lack of a rating may adversely affect the trading price of the Series A Preferred Shares.

We have not sought to obtain a rating for the Series A Preferred Shares, and the shares may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series A Preferred Shares or that we may elect to obtain a rating of our Series A Preferred Shares in the future. In addition, we may elect to issue other securities for which we may seek to obtain a rating. The market value of the Series A Preferred Shares could be adversely affected if:

- any ratings assigned to the Series A Preferred Shares in the future or to other securities we issue in the future are lower than market expectations or are subsequently lowered or withdrawn, or
- ratings for such other securities would imply a lower relative value for the Series A Preferred Shares.

Our Series A Preferred Shares are junior to our debt liabilities and lease obligations, the debt and other liabilities of our subsidiaries and third-party holders of equity interests in our subsidiaries and the interests could be diluted by our issuance of additional shares of preferred stock, including additional Series A Preferred Shares, and by other transactions.

Our Series A Preferred Shares are subordinated to all of our existing and future indebtedness and lease obligations. As of June 30, 2018, we and our subsidiaries had outstanding indebtedness and liabilities of approximately $171.8 million, all of which is senior in right of payment to the Series A Preferred Shares. Our existing indebtedness restricts, and our future indebtedness may include restrictions on our ability to pay dividends to preferred stockholders.

Our certificate of incorporation currently authorizes the issuance of up to five million shares of preferred stock in one or more classes or series, and we will be permitted, without notice to or consent of the holders of Series A Preferred Shares, to issue additional Series A Preferred Shares or other securities that have rights junior to such shares, up to the maximum aggregate number of authorized shares of our preferred stock. The issuance of additional preferred stock on a parity with or senior to our Series A Preferred Shares would dilute the interests of the holders of our Series A Preferred Shares, and any issuance of preferred stock senior to or on a parity with our Series A Preferred Shares or of additional indebtedness could adversely affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series A Preferred Shares.

Except in limited circumstances, no provisions relating to our Series A Preferred Shares protect the holders of our Series A Preferred Shares in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, any of which might adversely affect the holders of our Series A Preferred Shares.

Holders of Series A Preferred Shares have extremely limited voting rights.

The voting rights of Series A Preferred Shares is extremely limited. However, in the event that six quarterly dividends, whether consecutive or not, payable on Series A Preferred Shares are in arrears or a listing failure has occurred and is continuing, the holders of Series A Preferred Shares will have the right, voting together as a class with all other classes or series of parity securities upon which like voting rights have conferred and are exercisable, to elect two additional directors to serve on our board of directors.

Investors should not expect us to redeem the Series A Preferred Shares on the date the Series A Preferred Shares becomes redeemable by the Company or on any particular date afterwards.

The shares of Series A Preferred Shares have no maturity or mandatory redemption date and are not redeemable at the option of investors under any circumstances. By their terms, the Series A Preferred Shares may be redeemed by us at our option either in whole or in part at any time on or after December 20, 2018 or, under certain circumstances, may be redeemed by us at our option, in whole, sooner than that date. Any decision we may make at any time regarding whether to redeem the Series A Preferred Shares will depend upon a wide variety of factors, including our evaluation of our capital position, our capital requirements and general market conditions at that time. You should not assume that we will redeem the Series A Preferred Shares at any particular time, or at all.

The Series A Preferred Shares are not convertible, and purchasers may not realize a corresponding benefit if the trading price of our common stock rises.

The Series A Preferred Shares will not be convertible into common shares or other of our securities and will not have exchange rights or be entitled or subject to any preemptive or similar rights. In addition, the Series A Preferred Shares will earn dividends at a fixed rate (subject to adjustment). Accordingly, as noted in greater detail above, the market value of the Series A Preferred Shares may depend on, among other things, dividend and interest rates for other securities and other investment alternatives and our actual and perceived ability to make dividend or other payments in respect of our Series A Preferred Shares. Moreover, our right to redeem the Series A Preferred Shares on or after December 20, 2018 or in the event of a change in control could impose a ceiling on their value.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in Bellevue, Washington. In addition to the more than 100 strategic operating partner locations, we also conduct business from Company-owned offices and warehouses operating from the following leased locations:

United States:

Tempe, Arizona	Mendota Heights, Minnesota	Folcroft, Pennsylvania
Carson, California	Southaven, Mississippi	Middletown, Pennsylvania
Woodridge, Illinois	Edison, New Jersey	Argyle, Texas
Hebron, Kentucky	Jamaica, New York	Laredo, Texas
Louisville, Kentucky	Woodbury, New York	McAllen, Texas
Taylor, Michigan	Portland, Oregon	

Canada:

Delta, British Columbia	Mississauga, Ontario	Laval, Québec
Brampton, Ontario		

We believe our current offices and warehouses are adequately covered by insurance and are sufficient to support our operations for the foreseeable future.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the NYSE American under the symbol "RLGT." The following table states the high and low sales price per share of our common stock for each calendar quarter during our past two fiscal years as reported by the NYSE American. The closing price of our common stock as reported on the NYSE American on September 7, 2018, was $4.48 per share.

	High	Low
Year ended June 30, 2018:		
Quarter ended June 30, 2018	$4.23	$3.46
Quarter ended March 31, 2018	5.15	3.51
Quarter ended December 31, 2017	5.45	4.34
Quarter ended September 30, 2017	5.62	4.32
Year ended June 30, 2017:		
Quarter ended June 30, 2017	$6.65	$4.80
Quarter ended March 31, 2017	5.96	3.39
Quarter ended December 31, 2016	4.15	2.48
Quarter ended September 30, 2016	3.32	2.45

Holders

As of September 7, 2018, the number of stockholders of record of our common stock was 109. This figure does not include a greater number of beneficial holders of our common stock, whose shares are held of record by banks, brokers and other financial institutions.

Dividend Policy

We have never declared or paid cash dividends on our common stock. In addition, we and our subsidiaries are subject to certain restrictions on declaring dividends under our existing credit facilities and the Certificate of Designation of our 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock. We currently do not anticipate declaring or paying any cash dividends in the foreseeable future on our common stock. Any future determination to declare cash dividends on our common stock will be made at the discretion of our board of directors, subject to applicable laws and contractual restrictions, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Transfer Agent

The transfer agent and registrar for our common stock is Broadridge Corporate Issuer Solutions, Inc. The transfer agent and registrar's address is 1717 Arch Street, Suite 1300, Philadelphia, Pennsylvania 19103.

Recent Issuance of Unregistered Securities

From July 1, 2017 through the date of this report we issued the following unregistered securities:

- In September 2017, we issued 10,019 shares of common stock to SVT in satisfaction of $50,000 of the purchase price; and
- In November 2017, we issued 123,063 shares of common stock in satisfaction of $0.6 million of various earn-out payments for the period ended June 30, 2017.

We did not utilize or engage a principal underwriter in connection with the above securities transactions. The above securities were only offered, sold to or transacted with earn-outs to “accredited investors” as that term is defined in Rule 501 of Regulation D, promulgated under the Securities Act of 1933, as amended. Management believes the above shares of common stock were issued pursuant to the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and result of operations should be read in conjunction with the 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.

Critical Accounting Policies

Accounting policies, methods and estimates are an integral part of the consolidated financial statements prepared by management and are based upon management’s current judgments. These judgments are normally based on knowledge and experience regarding past and current events and assumptions about future events. Certain accounting policies, methods and estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management’s current judgments. While there are a number of accounting policies, methods and estimates that affect our financial statements, the areas that are particularly significant include revenue recognition, accruals for the cost of purchased transportation, the fair value of acquired assets and liabilities, fair value of contingent consideration, accounting for share-based compensation, the assessment of the recoverability of long-lived assets, goodwill, intangible assets, and the establishment of an allowance for doubtful accounts.

We perform an annual impairment test for goodwill as of April 1 of each year unless events or circumstances indicate impairment may have occurred before that time. We assess qualitative factors to determine whether it is more-likely-than-not that the fair value of the reporting unit is less than the carrying amount. After assessing qualitative factors, if further testing is necessary we would determine the fair value of each reporting unit, and compare the fair value to the reporting unit's carrying amount.

Intangible assets consist of customer related intangible assets, trade names and trademarks, and non-compete agreements arising from our acquisitions. Customer related intangible assets 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.

We review long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. When fair values are not available, we estimate fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

As a non-asset based carrier, we do not generally own transportation assets. We do, however, own certain trailers and refrigerated trailers that we use in our business. We generate the majority of our air and ocean freight forwarding and freight brokerage revenues by purchasing transportation services from direct (asset-based) carriers and reselling those services to our customers. Based upon the terms in the contract of carriage, freight forwarding revenues related to shipments where we issue a House Airway Bill or a House Ocean Bill of Lading are recognized at the time the freight is tendered to the direct carrier at origin. Costs related to the shipments are also recognized at this same time based upon anticipated margins, contractual arrangements with direct carriers, and other known factors. The estimates are routinely monitored and compared to actual invoiced costs. The estimates are adjusted as deemed necessary by us to reflect differences between the original accruals and actual costs of purchased transportation. This method generally results in recognition of revenues and purchased transportation costs earlier than the preferred methods under GAAP which do not recognize revenue until a proof of delivery is received or which recognize revenue as progress on the transit is made. Our method of revenue and cost recognition does not result in a material difference from amounts that would be reported under such other methods.

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

Results of Operations

Fiscal year ended June 30, 2018, compared to fiscal year ended June 30, 2017

The following table summarizes transportation services revenue, cost of transportation and net transportation services revenue by geographic operating segments for the fiscal years ended June 30, 2018 and 2017 (in thousands):

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	United States	Canada	Corporate/ Eliminations	Total	United States	Canada	Corporate/ Eliminations	Total
Transportation services revenue								
Forwarding	$609,331	$4,748	$(740)	$613,339	$558,422	$3,982	$(377)	$562,027
Brokerage	122,292	92,704	(523)	214,473	122,646	88,600	(3,934)	207,312
	731,623	97,452	(1,263)	827,812	681,068	92,582	(4,311)	769,339
Cost of transportation								
Forwarding	447,699	3,872	(740)	450,831	398,857	3,252	(377)	401,732
Brokerage	112,998	76,684	(523)	189,159	112,574	72,605	(3,934)	181,245
	560,697	80,556	(1,263)	639,990	511,431	75,857	(4,311)	582,977
Net transportation services revenue								
Forwarding	161,632	876	—	162,508	159,565	730	—	160,295
Brokerage	9,294	16,020	—	25,314	10,072	15,995	—	26,067
	170,926	16,896	—	187,822	169,637	16,725	—	186,362

Net transportation margin	23.4 %	17.3 %		22.7 %	24.9 %	18.1 %		24.2 %
Other value-added services	3,778	10,827	—	14,605	4,105	4,169	—	8,274
Net revenues	$174,704	$27,723	$ —	$202,427	$173,742	$20,894	$ —	$194,636

Forwarding revenue was $613.3 million and $562.0 million for the years ended June 30, 2018 and 2017, respectively. The increase of $51.3 million, or 9.1%, is primarily attributable to increased revenues by certain strategic operating partners, increased project revenues, and the acquisition of Lomas. Forwarding net transportation revenue was $162.5 million and $160.3 million for the years ended June 30, 2018 and 2017, respectively. Net forwarding transportation margins decreased from 28.5% to 26.5%, primarily due to competitive market dynamics and shifts in product mix, including a higher than normal frequency of air charters and projects, which carry a lower margin than the balance of our forwarding service offerings.

Brokerage revenue was $214.5 million and $207.3 million for the years ended June 30, 2018 and 2017, respectively. The increase of $7.2 million, or 3.5%, is primarily attributable to tight capacity in the brokerage markets. Brokerage net transportation revenue was $25.3 million and $26.1 million for the years ended June 30, 2018 and 2017, respectively. Net brokerage transportation margins decreased from 12.6% to 11.8%, primarily due to capacity constraints, which resulted in higher costs and corresponding margin compression.

Other value-added services were $14.6 million and $8.3 million for the years ended June 30, 2018 and 2017, respectively. The increase is primarily attributable to the acquisition of Lomas.

The following table compares condensed consolidated statements of operations data by geographic operating segments for the fiscal years ended June 30, 2018 and 2017 (in thousands):

	Year Ended June 30, 2018				Year Ended June 30, 2017			
			Corporate/				Corporate/	
	United States	Canada	Eliminations	Total	United States	Canada	Eliminations	Total
Net revenues	$174,704	$27,723	$—	$202,427	$173,742	$20,894	$—	$194,636
Operating partner commissions	88,844	—	—	88,844	90,207	—	—	90,207
Personnel costs	41,214	14,311	3,041	58,566	37,803	11,110	3,017	51,930
Selling, general and administrative expenses	17,731	8,253	2,463	28,447	16,053	4,699	3,219	23,971
Depreciation and amortization	2,650	1,252	10,487	14,389	2,371	734	9,244	12,349
Transition and lease termination costs	107	69	—	176	1,582	541	137	2,260
Change in fair value of contingent consideration	—	—	(1,176)	(1,176)	—	—	3,431	3,431
Total operating expenses	150,546	23,885	14,815	189,246	148,016	17,084	19,048	184,148
Income (loss) from operations	24,158	3,838	(14,815)	13,181	25,726	3,810	(19,048)	10,488
Other income (expense)	430	(30)	(3,075)	(2,675)	561	40	(2,497)	(1,896)
Income (loss) before income taxes	24,588	3,808	(17,890)	10,506	26,287	3,850	(21,545)	8,592
Income tax expense	—	—	(73)	(73)	—	—	(3,673)	(3,673)
Net income (loss)	24,588	3,808	(17,963)	10,433	26,287	3,850	(25,218)	4,919
Less: net income attributable to non-controlling interest	(245)	—	—	(245)	(57)	—	—	(57)
Net income (loss) attributable to Radiant Logistics, Inc.	24,343	3,808	(17,963)	10,188	26,230	3,850	(25,218)	4,862
	—	—	(2,046)	(2,046)	—	—	(2,046)	(2,046)

Less: preferred stock dividends								
Net income (loss) attributable to common stockholders	$24,343	$3,808	$(20,009)	$8,142	$26,230	$3,850	$(27,264)	$2,816

Selected operating expenses as a percent of net revenue:	Year Ended June 30, 2018 United States	Canada	Corporate/ Eliminations	Total	Year Ended June 30, 2017 United States	Canada	Corporate/ Eliminations	Total
Operating partner commissions	50.9%	0.0 %	N/A	43.9%	51.9%	0.0 %	N/A	46.3%
Personnel costs	23.6%	51.6 %	N/A	28.9%	21.8%	53.2 %	N/A	26.7%
Selling, general and administrative expenses	10.1%	29.8 %	N/A	14.1%	9.2 %	22.5 %	N/A	12.3%

Operating partner commissions decreased $1.4 million, or 1.5%, to $88.8 million for the year ended June 30, 2018 primarily due to a decrease in net forwarding transportation revenues as a result of different margin characteristics associated with the strategic operating partners' current year business, as well as the acquisition of DLT, which operated as a strategic operating partner and was paid commissions in the comparable prior year period.

Personnel costs increased $6.7 million, or 12.8%, to $58.6 million for the year ended June 30, 2018. The increase is primarily due to the acquisitions of Lomas and DLT.

Selling, general and administrative ("SG&A") expenses increased $4.4 million, or 18.7%, to $28.4 million for the year ended June 30, 2018. The increase is primarily attributable to higher facilities, technology and communications costs associated with the acquisitions of Lomas and DLT. SG&A expenses also includes approximately $0.6 million of bad debt expense associated with outstanding accounts receivable of a former strategic operating partner, and $0.4 million in start-up costs associated with adding new and reconfigured existing Canadian facilities to further expand our MM&D solution offering.

Depreciation and amortization costs increased $2.1 million, or 16.5%, to $14.4 million for the year ended June 30, 2018, primarily due to increased amortization associated with recent acquisitions of Lomas and DLT.

Transition and lease termination costs decreased $2.1 million, or 92.2%, to $0.2 million for the year ended June 30, 2018. The United States amount in the current fiscal year represents the lease termination costs associated with the facility consolidation of the Company-owned location in New Jersey that occurred in connection with the acquisition of DLT. The comparable prior year period primarily represents non-recurring personnel costs for SBA that were identified for elimination in connection with the winding down of SBA's historical back-office operations.

Change in fair value of contingent consideration was a gain of $1.2 million for the year ended June 30, 2018, compared to a loss of $3.4 million for the year ended June 30, 2017. The change in each year is attributable to a change in management's estimates of future earn-out payments through the remainder of the respective earn-out periods.

Other expenses increased $0.8 million, or 41.1%, to $2.7 million for the year ended June 30, 2018. The increase is primarily due to interest expense attributable to borrowings used to fund recent acquisitions, as well as increases in foreign currency losses.

The decrease in income tax expense is primarily due to a tax benefit as a result of a permanent change in U.S. federal income tax laws.

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

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

The following table provides a reconciliation for the fiscal years ended June 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):

	Year Ended June 30, 2018				Year Ended June 30, 2017			
			Corporate/				Corporate/	
	United States	Canada	Eliminations	Total	United States	Canada	Eliminations	Total
Net revenues	$174,704	$27,723	$—	$202,427	$173,742	$20,894	$—	$194,636
Net income (loss) attributable to common stockholders	$24,343	$3,808	$(20,009)	$8,142	$26,230	$3,850	$(27,264)	$2,816
Plus: Preferred stock dividends	—	—	2,046	2,046	—	—	2,046	2,046
Net income (loss) attributable to Radiant Logistics, Inc.	24,343	3,808	(17,963)	10,188	26,230	3,850	(25,218)	4,862
Income tax expense	—	—	73	73	—	—	3,673	3,673
Depreciation and amortization	2,650	1,252	10,487	14,389	2,371	734	9,244	12,349

Net interest expense	—	—	3,075	3,075	—	—	2,497	2,497
EBITDA	26,993	5,060	(4,328)	27,725	28,601	4,584	(9,804)	23,381
Share-based compensation	924	119	471	1,514	897	19	388	1,304
Change in fair value of contingent consideration	—	—	(1,176)	(1,176)	—	—	3,431	3,431
Acquisition related costs	—	—	239	239	—	—	944	944
Litigation costs	—	—	346	346	—	—	177	177
Non-recurring costs	—	—	—	—	—	—	14	14
Lease termination costs	107	69	—	176	(112)	541	137	566
MM&D Start-up costs	—	410	—	410	—	—	—	—
Foreign currency losses (gains)	(17)	25	—	8	(241)	19	—	(222)
Adjusted EBITDA	28,007	5,683	(4,448)	29,242	29,145	5,163	(4,713)	29,595
Adjusted EBITDA as a % of Net Revenues	16.0 %	20.5 %	N/A	14.4 %	16.8 %	24.7 %	N/A	15.2 %

Liquidity and Capital Resources

Fiscal year ended June 30, 2018 compared to fiscal year ended June 30, 2017

Net cash provided by operating activities was $4.8 million and $14.9 million for the years ended June 30, 2018 and 2017, respectively. The cash provided primarily consisted of net income adjusted for depreciation and amortization and changes in accounts payable and accounts receivable.

Net cash used for investing activities was $6.8 million and $16.3 million for the years ended June 30, 2018 and 2017, respectively. The primary uses of cash were for acquisitions and purchases of technology and equipment. Cash paid for acquisitions was $1.2 million and $11.5 million for the years ended June 30, 2018 and 2017, respectively. Cash paid for purchases of technology and equipment was $5.7 million and $4.9 million for the years ended June 30, 2018 and 2017, respectively.

Net cash provided by financing activities was $1.4 million and $2.5 million for the years ended June 30, 2018 and 2017, respectively. The cash provided by financing activities primarily consisted of proceeds from the credit facility and notes payable, repayments of notes payable, payments of contingent consideration and payments of preferred stock dividends. Proceeds from the credit facility were $7.9 million and $4.0 million for the years ended June 30, 2018 and 2017, respectively. Repayments of notes payable were $3.4 million and $2.4 million for the years ended June 30, 2018 and 2017, respectively, and proceeds from notes payable was $7.6 million for the year ended June 30, 2017. Payments of contingent consideration were $0.4 million and $3.4 million for the years ended June 30, 2018 and 2017, respectively. Payments of preferred stock dividends were $2.0 million for each of the years ended June 30, 2018 and 2017.

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.

Acquisitions

We have not made any material acquisitions in the last two fiscal years.

Technology

A primary component of our business strategy is the continued development and implementation of advanced information systems to provide accurate and timely information to our management, strategic operating partners and customers. During the year ended June 30, 2018, we spent approximately $3.0 million on enhancing our technology and software systems in order to increase our operating efficiency. We intend to spend in excess of $5.0 million during the fiscal year ended June 30, 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 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 to fund future acquisitions, capital expenditures, repurchase of Company stock, or for other corporate purposes. Borrowings under the Senior Credit Facility accrue interest at a variable rate of interest based upon LIBOR and/or one or more other interest rate indices plus an applicable margin. The Senior Credit Facility provides for advances of up to 85% of our eligible Canadian and domestic accounts receivable, 75% of eligible accrued but unbilled domestic receivables and eligible foreign accounts receivable, all of which are subject to certain sub-limits, reserves and reductions.

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

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

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

As of June 30, 2018, we have gross availability of $73.1 million, net of $21.5 million in advances and letter of credit reserves with approximately $51.6 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 Integrated Private Debt Fund IV LP Term Loan and Fund V Term Loan

On April 2, 2015, Wheels obtained a CAD$29.0 million senior secured Canadian term loan from IPD IV pursuant to 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 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.

In connection with our acquisition of Lomas, Wheels obtained a CAD$10.0 million senior secured Canadian term loan from IPD V pursuant to the IPD V Loan Agreement. The Company and its U.S. and Canadian subsidiaries are guarantors of the Wheels obligations thereunder. The loan matures on June 1, 2024 and accrues interest at a rate of 6.65% per annum. The loan repayment consists of monthly 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 loan 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, from 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 $10.0 million on a pro forma basis and (ix) the pro forma fixed charge coverage ratio is at least 1.1 to 1.0.

Off Balance Sheet Arrangements

As of June 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.

Recent Accounting Guidance

The recent accounting guidance is discussed in Note 2 of the "Notes to the consolidated financial statements" contained elsewhere in this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of business. These risks are primarily related to foreign exchange risk. We have currency exposure arising from both sales and purchases denominated in foreign currencies, as well as intercompany transactions. Significant changes in exchange rates between foreign currencies in which we transact business and the U.S. dollar may adversely affect our results of operations and financial condition. Historically, we have not entered into any hedging activities, and, to the extent that we continue not to do so in the future, we may be vulnerable to the effects of currency exchange-rate fluctuations. A portion of our business is conducted in Canada. If foreign exchange rates were 1.0% higher or lower, our net income would have changed by approximately $25,000.

We are also subject to risks related to an increase in interest rates. For every $1.0 million outstanding on our Senior Credit Facility, we will incur approximately $52,500 of interest expense. For every 1.0% increase in interest rates, our interest expense per $1.0 million in borrowings will increase by approximately $10,000.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Radiant Logistics, Inc.

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Radiant Logistics, Inc. ("the Company") as of June 30, 2018 and 2017, the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2018, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on the criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ PETERSON SULLIVAN LLP

We have served as the Company's auditor since 2006.

Seattle, Washington

September 13, 2018

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

RADIANT LOGISTICS, INC.

Consolidated Balance Sheets

(In thousands, except share and per share data)	June 30, 2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$6,992	$5,808
Accounts receivable, net of allowance of $1,703 and $1,599, respectively	137,578	116,327
Income tax receivable	2,105	432
Prepaid expenses and other current assets	6,599	7,153
Total current assets	153,274	129,720
Technology and equipment, net	18,566	15,227
Goodwill	65,389	66,779
Intangible assets, net	65,264	74,729
Deposits and other assets	2,945	3,085
Total long-term assets	133,598	144,593
Total assets	$305,438	$289,540
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$90,153	$85,490
Operating partner commissions payable	14,322	10,843
Accrued expenses	5,404	4,778
Current portion of notes payable	3,726	3,382
Current portion of contingent consideration	960	4,130
Current portion of transition and lease termination liability	1,385	1,210
Other current liabilities	295	143
Total current liabilities	116,245	109,976
Notes payable, net of current portion	43,197	37,040
Contingent consideration, net of current portion	1,615	5,790
Transition and lease termination liability, net of current portion	—	804
Deferred rent liability	1,020	857
Deferred income taxes	8,665	10,826
Other long-term liabilities	1,082	782
Total long-term liabilities	55,579	56,099
Total liabilities	171,824	166,075
Commitments and contingencies (Note 13)		
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; 49,511,907 and 49,177,215 shares issued, and 49,420,109 and 49,085,417 shares outstanding, respectively	31	30
Additional paid-in capital	117,968	116,172
Treasury stock, at cost, 91,798 shares	(253)	(253)
Retained earnings	15,539	7,397
Accumulated other comprehensive income	186	65
Total Radiant Logistics, Inc. stockholders' equity	133,472	123,412
Non-controlling interest	142	53
Total equity	133,614	123,465
Total liabilities and equity	$305,438	$289,540

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

RADIANT LOGISTICS, INC.

Consolidated Statements of Comprehensive Income

(In thousands, except share and per share data)	Year Ended June 30, 2018	2017
Revenues	$842,417	$777,613
Cost of transportation	639,990	582,977
Net revenues	202,427	194,636
Operating partner commissions	88,844	90,207
Personnel costs	58,566	51,930
Selling, general and administrative expenses	28,447	23,971
Depreciation and amortization	14,389	12,349
Transition and lease termination costs	176	2,260
Change in fair value of contingent consideration	(1,176)	3,431
Total operating expenses	189,246	184,148
Income from operations	13,181	10,488
Other income (expense):		
Interest income	34	25
Interest expense	(3,109)	(2,522)
Foreign currency transaction gains (losses)	(8)	222
Other	408	379
Total other expense	(2,675)	(1,896)
Income before income taxes	10,506	8,592
Income tax expense	(73)	(3,673)
Net income	10,433	4,919
Less: net income attributable to non-controlling interest	(245)	(57)
Net income attributable to Radiant Logistics, Inc.	10,188	4,862
Less: preferred stock dividends	(2,046)	(2,046)
Net income allocable to common stockholders	$8,142	$2,816
Other comprehensive income (loss):		
Foreign currency translation gain (loss)	121	(33)
Comprehensive income	$10,554	$4,886
Income per share allocable to common stockholders:		
Basic	$0.17	$0.06
Diluted	$0.16	$0.06

Weighted average common shares outstanding:		
Basic	49,239,870	48,840,797
Diluted	50,634,671	49,993,595

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

RADIANT LOGISTICS, INC.

Consolidated Statements of Changes in Equity

RADIANT LOGISTICS, INC. STOCKHOLDERS' EQUITY

(In thousands, except share and per share data)	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Radiant Logistics, Inc. Stockholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount								
Balance as of June 30, 2016	839,200	$1	48,857,506	$30	$114,392	$—	$(1)	$4,581	$98	$119,101	$80	$119,181
Issuance of common stock to former shareholders of acquired businesses	—	—	160,329	—	905	—	—	—	—	905	—	905
Repurchase of common stock	—	—	(91,798)	—	—	(253)	—	—	—	(253)	—	(253)
Share-based compensation	—	—	—	—	1,303	—	—	—	—	1,303	—	1,303
Amortization of deferred compensation	—	—	—	—	—	—	1	—	—	1	—	1
Issuance of common stock upon exercise of stock options	—	—	159,380	—	(428)	—	—	—	—	(428)	—	(428)
Preferred dividends paid	—	—	—	—	—	—	—	(2,046)	—	(2,046)	—	(2,046)
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	—	(84)	(84)
Net income	—	—	—	—	—	—	—	4,862	—	4,862	57	4,919
Other comprehensive loss	—	—	—	—	—	—	—	—	(33)	(33)	—	(33)
	839,200	$1	49,085,417	$30	$116,172	$(253)	—	$7,397	$65	$123,412	$53	$123,465

Balance as of June 30, 2017												
Issuance of common stock to former shareholders of acquired businesses	—	—	133,082	1	672	—	—	—	—	673	—	673
Share-based compensation	—	—	—	—	1,514	—	—	—	—	1,514	—	1,514
Issuance of common stock upon exercise of stock options	—	—	201,610	—	(390)	—	—	—	—	(390)	—	(390)
Preferred dividends paid	—	—	—	—	—	—	—	(2,046)	—	(2,046)	—	(2,046)
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	—	(156)	(156)
Net income	—	—	—	—	—	—	—	10,188	—	10,188	245	10,433
Other comprehensive income	—	—	—	—	—	—	—	—	121	121	—	121
Balance as of June 30, 2018	839,200	$1	49,420,109	$31	$117,968	$(253)	—	$15,539	$186	$133,472	$142	$133,614

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

RADIANT LOGISTICS, INC.

Consolidated Statements of Cash Flows

(In thousands, except share and per share data)	Year Ended June 30,	
	2018	2017
OPERATING ACTIVITIES:		
Net income	$10,433	$4,919
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
share-based compensation	1,514	1,304
amortization of intangible assets	9,899	8,512
depreciation and amortization of technology and equipment	4,490	3,837
deferred income tax benefit	(2,199)	(1,707)
amortization of debt issuance costs	243	317
change in fair value of contingent consideration	(1,176)	3,431
transition and lease termination costs	176	721
loss (gain) on disposal of technology and equipment	5	(29)
change in (recovery of) allowance for doubtful accounts	104	(207)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
accounts receivable	(21,799)	(15,102)
income tax receivable	(1,688)	1,089
prepaid expenses, deposits and other assets	533	(1,079)
accounts payable	3,486	10,411
operating partner commissions payable	3,479	1,813
Accrued expenses	561	(552)
other liabilities	337	17
deferred rent liability	138	8
payment of contingent consideration	(2,858)	(1,645)
transition and lease termination liability	(917)	(1,201)
Net cash provided by operating activities	4,761	14,857
INVESTING ACTIVITIES:		
Payments to acquire businesses	(1,166)	(11,515)
Purchases of technology and equipment	(5,737)	(4,935)
Proceeds from sale of technology and equipment	134	191
Payments to former shareholders of acquired businesses	—	(50)
Net cash used for investing activities	(6,769)	(16,309)
FINANCING ACTIVITIES:		
Proceeds from credit facility, net	7,891	3,983
Proceeds from notes payable	—	7,575
Payments of debt issuance costs	(89)	(471)
Repayments of notes payable	(3,446)	(2,354)
Repurchases of common stock	—	(253)
Payments of contingent consideration	(413)	(3,446)

Payments of preferred stock dividends	(2,046)	(2,046)
Distribution to non-controlling interest	(156)	(84)
Payments of employee tax withholdings related to cashless exercise of stock options	(390)	(428)
Net cash provided by financing activities	1,351	2,476
Effect of exchange rate changes on cash and cash equivalents	1,841	16
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,184	1,040
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,808	4,768
CASH AND CASH EQUIVALENTS, END OF PERIOD	$6,992	$5,808
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$4,062	$4,720
Interest paid	$2,870	$2,196

RADIANT LOGISTICS, INC.

Consolidated Statements of Cash Flows (continued)

Supplemental disclosure of non-cash investing and financing activities:

In June 2017, the Company issued 84,735 shares of common stock at a fair value of $5.90 per share in satisfaction of $500 of the Dedicated Logistics Technologies, Inc. purchase price, resulting in an increase to common stock and additional paid-in capital of $500.

In June 2017, the Company issued 75,594 shares of common stock at a fair value of $5.35 per share in satisfaction of $405 of the Phoenix Cartage and Air Freight, LLC, earn-out payment for the period ended February 28, 2017, resulting in a decrease to the current portion of contingent consideration, an increase to common stock and additional paid-in capital of $405.

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

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

In June 2018, the Company acquired $2,300 of refrigerated trailers financed through a capital lease.

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

RADIANT LOGISTICS, INC.

Notes to the Consolidated Financial Statements

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

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

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, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

The 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”), a wholly-owned subsidiary, and 60% owned by Radiant Capital Partners, LLC (“RCP”, see Note 9), an entity owned by the Company’s Chief Executive Officer. All significant intercompany balances and transactions have been eliminated. All dollars in the consolidated financial statements are stated in thousands, except share and per share amounts.

Non-controlling interest in the 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 considers all highly liquid investments with original maturities of three months or less to be 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 claims against third-parties that will be settled in cash. This includes 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. If the strategic operating partners customers don't remit funds timely, 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 this reserve account. 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 deficits and the Company may withhold all or a portion of future commissions payable to the strategic operating partner in satisfaction of any deficit balance. Currently, a number of the Company's strategic operating partners have a deficit balance in their bad debt reserve account. The Company expects to replenish these funds through the future business operations of these strategic operating partners 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 amount and includes such amounts in the allowance for doubtful accounts as considered necessary.

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 charged to expense 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 June 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 June 30, 2018. Intangible assets consist of customer related intangible assets, trade names and trademarks, and non-compete agreements arising from the Company's acquisitions. Customer related intangible assets 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 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 statements of comprehensive income.

i) Defined Contribution Savings Plans

The Company has an employee savings plan under which the Company provides safe harbor matching contributions. For the years ended June 30, 2018, and 2017, the Company's contributions under the plan were $862 and $764, respectively.

j) 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.

k) Revenue Recognition and Purchased Transportation Costs

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

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

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

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

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 Common Share

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 year-end exchange rates and all income statement amounts are translated at the weighted average rates for the period. Translation adjustments are recorded as 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 consolidated statements of comprehensive income.

o) Reclassifications of Previously Issued Financial Statements

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

p) Recently Issued Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("Topic 606"), which will supersede existing revenue recognition guidance under GAAP. The standard's core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard 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. Topic 606 is effective for the Company beginning July 1, 2018 and permits the use of the full retrospective or modified retrospective transition methods.

On July 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to those contracts that were not complete as of July 1, 2018 and will record an after-tax adjustment of approximately $400 to decrease retained earnings at the date of adoption.

The Company has been reviewing and evaluating its existing customer contracts. Under the new guidance, revenue from transportation services will be recognized over time as control is transferred to the customer. Revenue from warehousing and fulfillment services will continue to be recognized as the promised services are transferred to the customer. The Company has also evaluated whether it acts as a principal or agent with regard to its promise to transfer transportation services and does not expect its current presentation of revenue and related costs from transportation services reflected on a gross basis to change. The Company is finalizing the impact of Topic 606 on the disclosures in the notes to the consolidated financial statements and expects the disclosures to be enhanced. The Company continues to develop and implement changes to its accounting policies, practices, and controls to support the new guidance.

In February 2016, the FASB issued ASU 2016-02, Leases, to replace existing lease guidance. The guidance requires the recognition of right-of-use assets and lease liabilities for operating leases with terms more than 12 months on the balance sheet. Guidance is also provided for the presentation of leases within the statement of operations and cash flows. The guidance is effective for annual and interim periods beginning after December 15, 2018, and early adoption is permitted. The adoption of this standard will impact the Company's consolidated financial statements as future minimum lease payments under noncancelable leases totaled approximately $28,566 (undiscounted) as of June 30, 2018. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements and related disclosures. 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.

In October 2016, the FASB issued ASU 2016-16, Income Taxes, which provides for the recognition of the income tax consequences on intra-entity asset transfers other than inventory when the transfer occurs. Current GAAP prohibits recognizing current and deferred income tax consequences for an intra-entity asset transfer until the asset has been sold to a third party. The Company has a deferred tax asset of approximately $1,700 recorded as deposits and other assets in the consolidated balance sheets because of the deferral of the tax consequences on an intra-entity transfer. The guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted. On July 1, 2018, the Company will recognize the deferred tax asset through a cumulative effect adjustment to decrease retained earnings by approximately $1,700.

q) Recently Adopted Accounting Guidance

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

NOTE 3 – EARNINGS PER SHARE

The following sets forth the computations of basic and diluted income per share as follows:

(In thousands, except share data)	Year Ended June 30, 2018	2017
Numerator:		
Net income attributable to Radiant Logistics, Inc.	$10,188	$4,862
Less: preferred stock dividends	(2,046)	(2,046)
Net income allocable to common stockholders	$8,142	$2,816
Denominator:		
Weighted average common shares outstanding, basic	49,239,870	48,840,797
Dilutive effect of share-based awards	1,394,801	1,152,798
Weighted average common shares outstanding, diluted	50,634,671	49,993,595
Potentially dilutive common shares excluded	1,260,588	1,592,897

NOTE 4 – BUSINESS ACQUISITIONS

The results of operations for acquired businesses, described below, are included in the Company's consolidated financial statements from their respective acquisition dates.

Fiscal Year 2018 Acquisitions

On September 1, 2017, the Company, through a wholly-owned subsidiary, 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 purchase price has been structured with a portion of the expected purchase price payable as contingent consideration in subsequent periods based on future performance of the acquired operation. There is no maximum to the contingent consideration payable. The consideration paid, purchase price allocation, and pro forma results of operations and other disclosures have not been presented because the purchase price of this acquisition was not material to the financial statements.

Fiscal Year 2017 Acquisitions

On April 1, 2017, the Company, through a wholly-owned subsidiary, acquired Lomas Logistics ("Lomas"), a division of L.V. Lomas Limited. Lomas operates as a third-party logistics provider serving companies across a range of industries including consumer goods, healthcare, food, chemicals and technology and operates from locations in Ontario and British Columbia, Canada. The Lomas acquisition was financed with proceeds from the Integrated Private Debt Fund V LP loan (Note 7).

On June 1, 2017 the Company, through a wholly-owned subsidiary acquired the assets and operations of its strategic operating partner Dedicated Logistics Technologies, Inc. ("DLT"), a Newark, New Jersey based company. DLT is expected to transition to the Radiant brand and will combine with existing Company-owned operations in Newark while maintaining separate facilities in Los Angeles, California. The Company recorded non-recurring transition and lease termination costs of $107 for the year ended June 30, 2018 associated with the facility consolidation of the former Radiant Newark facility to the DLT location. The DLT acquisition was financed with proceeds from the Company's Credit Facility (Note 7). The purchase price has been structured with a portion of the expected purchase price payable as contingent consideration in subsequent periods based on future performance of the acquired operation. The maximum contingent consideration payable is $7,500. The fair value of the contingent consideration was estimated using future projected earnings relative to the corresponding future earn-out payments. To calculate fair value, the future earn-out payments were then discounted using Level 3 inputs. The Company believes the rate used to discount the earn-out payments reflect market participant assumptions.

The acquisition date fair value of the consideration transferred for the acquisitions, as adjusted for the measurement period adjustment, consisted of the following:

(In thousands)	
Cash, net of cash acquired	$ 11,515
Common stock (84,735 restricted shares)	500
Working capital and other holdbacks	750
Contingent consideration, at fair value	2,000
	$ 14,765

The purchase price allocation for the acquisitions, as adjusted for the measurement period adjustment, is as follows:

(In thousands)	
Technology and equipment	$ 1,810
Other assets	295
Intangible assets	10,408
Other liabilities	(31)
Total identifiable net assets	12,482
Goodwill	2,283
	$ 14,765

Intangible assets that were acquired and their respective useful lives, as adjusted for the measurement period adjustment, are as follows:

(In thousands)	Amount	Useful Life
Customer related	$ 9,400	7 - 10 years
Trade names and trademarks	908	1 - 10 years
Covenants not to compete	100	5 years
	$ 10,408	

In December 2017, the Company obtained additional information during the measurement period that existed from the acquisition date resulting in a measurement period adjustment for DLT to the preliminary amounts recognized. The Company recorded a decrease to intangible assets of $900, a decrease to contingent consideration of $2,500, and a corresponding decrease to goodwill of $1,600. The change in amortization expense related to the prior period of less than $100 was recorded in the year ended June 30, 2018.

The fair values of the intangible assets were estimated using a discounted cash flow approach with Level 3 inputs. Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To calculate fair value, the Company used 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 reflect market participant assumptions. The goodwill recorded is expected to be deductible for income tax purposes over a period of 15 years.

The pro forma results of operations have not been presented because the effect of these above-mentioned acquisitions was not material to the consolidated financial statements.

NOTE 5 – TECHNOLOGY AND EQUIPMENT

(In thousands)		June 30,	
	Useful Life	2018	2017
Computer software	3 - 5 years	$15,842	$12,848
Trailers and related equipment	3 - 15 years	6,362	4,682
Office and warehouse equipment	3 - 15 years	3,205	2,005
Leasehold improvements	(1)	3,155	2,363
Computer equipment	3 - 15 years	2,210	1,745
Furniture and fixtures	3 - 15 years	919	788
		31,693	24,431
Less: accumulated depreciation and amortization		(13,127)	(9,204)
		$18,566	$15,227

(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 $4,490 and $3,837 for the years ended June 30, 2018, and 2017, respectively. Computer software includes approximately $1,168 and $4,021 of software currently in development as of June 30, 2018 and 2017, respectively.

In April 2018, the Company entered into a capital lease obligation (Note 7) for the purchase of refrigerated trailers. Trailers and related equipment includes costs of approximately $2,286 related to the refrigerated trailers that will be placed in service in fiscal year 2019.

NOTE 6 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The table below reflects the changes in the carrying amounts of goodwill for the years ending June 30:

(In thousands)	June 30,	
	2018	2017
Balance, beginning of year	$66,779	$62,888
Acquisitions	218	3,891
Measurement period adjustment (Note 4)	(1,608)	—
Balance, end of year	$65,389	$66,779

Other Intangible Assets

Other intangible assets consist of the following:

(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

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(In thousands)	June 30, 2017			
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer related	7.2 years	$96,106	$ (34,438)	$61,668
Trade names and trademarks	11.2 years	14,977	(2,125)	12,852
Covenants not to compete	2.4 years	850	(641)	209
		$111,933	$ (37,204)	$74,729

Amortization expense amounted to $9,899 and $8,512 for the years ended June 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	$9,859
2020	9,616
2021	9,395
2022	8,841
2023	8,363

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following:

(In thousands)	June 30, 2018	
	2018	2017
Senior Credit Facility	$21,537	$13,780
Senior Secured Loans	23,965	27,514
Other debt	2,286	149
Unamortized debt issuance costs	(865)	(1,021)
Total notes payable	46,923	40,422
Less: current portion	(3,726)	(3,382)
Total notes payable, net of current portion	$43,197	$37,040

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

(In thousands)	
2019	$3,726
2020	3,973
2021	4,238
2022	26,058
2023	4,823
Thereafter	4,970
	$47,788

Senior Credit Facility

The Company has a $75,000 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 July 14, 2022.

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

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

As of June 30, 2018, based on available collateral and outstanding letter of credit commitments, there was $51,600 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 fixed 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 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 upon providing at least 30 days prior written notice and paying the difference between (i) the present value of the loan interest and the principal payments foregone discounted at the Government of Canada Bond Yield for the term from the date of prepayment to the maturity date, and (ii) the face value of the principal amount being prepaid.

The loans are collateralized by a (i) first-priority security interest in all of the assets of Wheels except the Canadian A/R Assets, (ii) a second-priority security interest in the Canadian A/R Assets, and (iii) a second-priority security interest on all of the Company's assets. As of June 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, entered into a lease financing agreement with Banc of America Leasing & Capital, for the lease of up to 100 refrigerated trailers with the aggregate financing cost not to exceed $5,000 through December 31, 2018. As of June 30, 2018, the Company has financed approximately $2,300 of trailer equipment under the agreement. The term of the lease shall be 60 or 84 months from an agreed upon starting date and as lessee, the Company will be obligated to purchase the trailers at the end of the lease for a nominal amount. The transaction is subject to the execution of additional documentation, including, among other things, a master lease agreement, guarantor authorization and incumbency certificate, guaranty and progress payment agreement.

NOTE 8 – 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 June 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 years ended June 30, 2018 and 2017, the Company's board of directors declared and paid cash dividends to holders of Series A Preferred Shares in the amount of $2.4375 per share, totaling $2,046.

Common Stock

In January 2016, the Company's board of directors authorized the repurchase of up to 5,000,000 shares of the Company's common stock through December 31, 2016. Under this repurchase program, the Company purchased 91,798 shares of its common stock at an average cost of $2.75 per share for an aggregate cost of $253 for the year ended June 30, 2017. 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 did not obligate the Company to repurchase any specific number of shares and could be suspended or terminated at any time without prior notice.

NOTE 9 – 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 profits of $409 and $95 for the years ended June 30, 2018, and 2017, respectively. RCP's distributable share was $245 and $57 for the years ended June 30, 2018, and 2017, respectively. The non-controlling interest recorded as a reduction of income in the consolidated statements of comprehensive income represents RCP's distributive share.

The following table summarizes the balance sheets of RLP:

(In thousands)	June 30, 2018	2017
ASSETS		
Accounts receivable - Radiant Global Logistics, Inc.	$245	$ 94
	$245	$ 94
LIABILITIES AND PARTNERS' CAPITAL		
Accrued expenses	$8	$ 6
Partners' capital	237	88
	$245	$ 94

NOTE 10 – 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 earnings 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 June 30, 2018	
	Level 3	Total
Contingent consideration	$2,575	$2,575

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

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

(In thousands)	Contingent Consideration
Balance as of June 30, 2016	$ 7,485
Increase related to accounting for acquisitions	4,500
Contingent consideration paid	(5,496)
Change in fair value	3,431
Balance as of June 30, 2017	$ 9,920
Increase related to accounting for acquisitions	225
Measurement period adjustment (Note 4)	(2,500)
Contingent consideration paid	(3,894)
Change in fair value	(1,176)
Balance as of June 30, 2018	$ 2,575

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 consolidated statements of comprehensive income. The Company recorded a decrease to contingent consideration of $1,176, and an increase of $3,431 for the years ended June 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, whereas the change in the prior period is principally attributable to a net increase in management's estimates of future earn-out payments.

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 $9,885 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 earnout payments of $530, 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 11 – INCOME TAXES

The Tax Cuts and Jobs Act (the “Act”) was enacted on December 22, 2017. The Act contains many significant changes to the U.S. federal income tax laws. The primary impact of the Act in fiscal year 2018 is a reduction of the federal statutory tax rate from 35% to 28.1% (average rate of 35% for the first half of fiscal year 2018 and 21% for the second half of fiscal year 2018, consistent with Internal Revenue Code Section 15). 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. As of June 30, 2018, the Company has not completed its accounting for the tax effects of enactment of the Act, and it expects this review to be completed with the completion of the annual U.S. tax return; however, the Company has made a reasonable estimate of the effects on existing deferred tax balances and the one-time transition tax. The deferred income tax benefit includes a provisional benefit of $2,378 recognized for those items which the Company could determine a reasonable estimate from the remeasurement of federal deferred tax liabilities resulting from the permanent reduction in the U.S. statutory corporate tax rate from 35% to 21%. The estimated amount of the one-time transition tax is 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 significant components of income tax expense (benefit) are as follows:

(In thousands)	Year ended June 30, 2018	2017
Current:		
Federal	$2,131	$4,299
State	40	879
Foreign	101	202
Total current	2,272	5,380
Deferred:		