RADIANT LOGISTICS, INC
Form 10-Q
February 13, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: December 31, 2013

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 001-35392

RADIANT LOGISTICS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	04-3625550
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

405 114th Ave S.E., Bellevue, WA 98004

(Address of Principal Executive Offices)

(425) 943-4599

(Issuer s Telephone Number, including Area Code)

N/A

(Former Name, Former Address, and Former Fiscal Year, if Changed Since Last Report)

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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

There were 33,669,581 issued and outstanding shares of the registrant s common stock, par value $.001 per share, as of February 11, 2014.

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RADIANT LOGISTICS, INC.

Condensed Consolidated Balance Sheets

(unaudited)

	DECEMBER 31, 2013	JUNE 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,838,784	$ 1,024,192
Accounts receivable, net of allowance of $1,044,203 and $1,455,646, respectively	50,298,466	52,131,462
Current portion of employee and other receivables	469,150	328,123
Prepaid expenses and other current assets	2,230,766	2,477,904
Deferred tax asset	837,391	908,564
Total current assets	65,674,557	56,870,245
Furniture and equipment, net	1,376,020	1,289,818
Acquired intangibles, net	15,599,346	9,231,163
Goodwill	26,802,045	15,952,544
Employee and other receivables, net of current portion	37,742	72,433
Deposits and other assets	700,002	336,613
Total long-term assets	43,139,135	25,592,753
Total assets	$ 110,189,712	$ 83,752,816
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued transportation costs	$ 36,929,007	$ 35,767,785
Commissions payable	5,308,050	6,086,324
Other accrued costs	2,340,752	2,176,567
Income taxes payable	744,943	361,571
Current portion of notes payable to former shareholders of acquired operations	2,767,091	767,091
Amounts due to former shareholders of acquired operations	1,369,613	-
Current portion of contingent consideration	1,609,000	305,000
Current portion of lease termination liability	303,862	305,496
Total current liabilities	51,372,318	45,769,834

Notes payable and other long-term debt, net of current portion and debt discount	8,713,630	17,213,424
Contingent consideration, net of current portion	8,886,000	3,720,000
Lease termination liability, net of current portion	364,868	505,353
Deferred rent liability	572,097	583,401
Deferred tax liability	2,902,426	73,433
Other long-term liabilities	2,610	2,610
Total long-term liabilities	21,441,631	22,098,221
Total liabilities	72,813,949	67,868,055

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RADIANT LOGISTICS, INC.

Condensed Consolidated Balance Sheets (continued)

(unaudited)

	DECEMBER 31, 2013	JUNE 30, 2013
Stockholders equity:		
Radiant Logistics, Inc. stockholders equity:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized; 839,200 and 0 shares issued and outstanding, respectively, liquidation preference of $20,980,000	839	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 33,645,497 and 33,348,166 shares issued and outstanding, respectively	15,100	14,803
Additional paid-in capital	34,032,411	13,873,157
Deferred compensation	(11,730)	(14,252)
Retained earnings	3,298,840	1,943,530
Total Radiant Logistics, Inc. stockholders equity	37,335,460	15,817,238
Non-controlling interest	40,303	67,523
Total stockholders equity	37,375,763	15,884,761
Total liabilities and stockholders equity	$ 110,189,712	$ 83,752,816

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

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RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2013	2012	2013	2012
Revenue	$ 84,143,519	$ 78,177,757	$ 160,845,380	$ 157,326,215
Cost of transportation	59,777,636	56,652,509	113,258,996	113,562,525
Net revenues	24,365,883	21,525,248	47,586,384	43,763,690
Agent commissions	12,906,080	13,183,721	26,540,852	26,479,046
Personnel costs	5,396,200	4,188,218	9,887,803	8,302,496
Selling, general and administrative expenses	2,686,711	2,183,890	4,951,045	4,727,221
Depreciation and amortization	1,241,656	1,015,367	2,071,754	2,135,171
Transition and lease termination costs	-	1,544,454	-	1,544,454
Change in contingent consideration	(17,567)	(325,000)	(212,567)	(275,000)
Total operating expenses	22,213,080	21,790,650	43,238,887	42,913,388
Income (loss) from operations	2,152,803	(265,402)	4,347,497	850,302
Other income (expense):				
Interest income	2,128	5,059	4,628	9,132
Interest expense	(495,293)	(512,690)	(1,016,456)	(1,008,021)
Loss on write-off of debt discount	(1,238,409)	-	(1,238,409)	-
Gain on litigation settlement, net	-	368,162	-	368,162
Other	8,563	62,766	92,746	211,738
Total other expense	(1,723,011)	(76,703)	(2,157,491)	(418,989)
Income (loss) before income tax benefit (expense)	429,792	(342,105)	2,190,006	431,313
Income tax benefit (expense)	(150,081)	397,656	(801,916)	57,652
Net income	279,711	55,551	1,388,090	488,965
	(16,138)	(34,771)	(32,780)	(65,032)

Less: Net income attributable to non-controlling interest								
Net income attributable to Radiant Logistics, Inc.	$	263,573	$	20,780	$	1,355,310	$	423,933
Net income per common share basic and diluted	$	.01	$	.00	$	.04	$	.01
Weighted average shares outstanding:								
Basic shares		33,601,956		33,041,430		33,469,659		33,036,270
Diluted shares		36,466,123		35,384,437		36,226,803		35,493,359

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

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RADIANT LOGISTICS, INC.

Condensed Consolidated Statement of Stockholders Equity

(unaudited)

RADIANT LOGISTICS, INC. STOCKHOLDERS

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL			NON-	TOTAL
					PAID-IN	DEFERRED	RETAINED	CONTROLLING	STOCKHOLDERS
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	COMPENSATION	EARNINGS	INTEREST	EQUITY
Balance as of June 30, 2013	-	$ -	33,348,166	$ 14,803	$ 13,873,157	$ (14,252)	$ 1,943,530	$ 67,523	$ 15,884,761
Issuance of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock at $25.00 per share, net of underwriting and offering costs of $1,659,341	839,200	839	-	-	19,319,820	-	-	-	19,320,659
Issuance of common stock related to the purchase of On Time acquisition at $2.11 per share	-	-	237,320	237	499,763	-	-	-	500,000
Share-based compensation	-	-	-	-	274,665	-	-	-	274,665
Amortization of deferred compensation	-	-	-	-	-	2,522	-	-	2,522
Cashless exercise of stock options	-	-	60,011	60	(60)	-	-	-	-
Tax benefit from exercise of stock options	-	-	-	-	65,066	-	-	-	65,066

Distributions to non-controlling interest	-	-	-	-	-	-	-	(60,000)	(60,000)
Net income for the six months ended December 31, 2013	-	-	-	-	-	-	1,355,310	32,780	1,388,090
Balance as of December 31, 2013	839,200	$ 839	33,645,497	$ 15,100	$ 34,032,411	$ (11,730)	$ 3,298,840	$ 40,303	$ 37,375,763

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

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RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	SIX MONTHS ENDED DECEMBER 31,	
	2013	2012
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ 1,355,310	$ 423,933
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
share-based compensation expense	277,187	204,744
amortization of intangibles	1,807,817	1,802,890
depreciation and leasehold amortization	263,937	332,281
deferred income tax benefit	(204,234)	(1,234,288)
amortization of loan fees and original issue discount	172,412	134,735
loss on write-off of debt discount	1,238,409	-
change in contingent consideration	(212,567)	(275,000)
gain on litigation settlement	-	(698,623)
lease termination costs	-	1,439,018
change in non-controlling interest	32,780	65,032
change in (recovery of) provision for doubtful accounts	(418,463)	322,960
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
accounts receivable	5,318,516	6,549,210
employee and other receivables	(81,336)	(61,921)
income tax deposit and income taxes payable	510,372	(139,296)
prepaid expenses, deposits and other assets	323,161	8,631
accounts payable and accrued transportation costs	(434,082)	(5,278,076)
commissions payable	(778,274)	(139,792)
other accrued costs	(83,128)	(5,034)
other liabilities	(857)	(29,135)
deferred rent liability	(11,304)	4,268
lease termination liability	(142,119)	-
Net cash provided by operating activities	8,933,537	3,426,537
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Acquisition of On Time Express, Inc., net of acquired cash	(6,952,056)	-
Acquisitions during fiscal year 2013, net of acquired cash	-	(596,722)
Purchase of furniture and equipment	(69,665)	(272,594)
Payments to former shareholders of acquired operations	-	(432,112)

Net cash used for investing activities		(7,021,721)		(1,301,428)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:				
Repayments to credit facility, net of credit fees		(163,353)		(389,410)
Proceeds from preferred stock, net of offering costs		19,320,659		-
Repayment of notes payable		(10,000,000)		-
Payments of contingent consideration		(259,596)		-
Distributions to non-controlling interest		(60,000)		(78,000)
Tax benefit from exercise of stock options		65,066		-
Net cash provided by (used for) financing activities		8,902,776		(467,410)
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,814,592		1,657,699
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		1,024,192		66,888
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	11,838,784	$	1,724,587
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Income taxes paid	$	430,502	$	1,367,945
Interest paid	$	1,091,266	$	851,166

(continued)

RADIANT LOGISTICS, INC.

Condensed Consolidated Statements of Cash Flows (continued)

(unaudited)

Supplemental disclosure of non-cash investing and financing activities:

In November 2012, the Company transferred accounts receivable of $400,260 to the shareholders of Marvir Logistics, Inc. as part of the purchase price consideration.

In December 2012, an arbitrator awarded damages, net of interest, of $698,623 from the former shareholders of DBA. The award has been off-set against amounts due to former shareholders of acquired operations.

In October 2013, the Company issued 237,320 shares of common stock at a fair value of $2.11 per share in satisfaction of $500,000 of the On Time Express, Inc. purchase price, resulting in a decrease to the amount due to former shareholders of acquired operations, an increase to common stock of $237 and an increase to additional paid-in capital of $499,763.

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

RADIANT LOGISTICS, INC.

Notes to Condensed Consolidated Financial Statements

(unaudited)

NOTE 1 THE COMPANY AND BASIS OF PRESENTATION

The Company

Radiant Logistics, Inc. (the Company) is a non-asset based transportation and logistics services company providing customers domestic and international freight forwarding services through a network of company-owned and independent agent offices operating under the Radiant, Airgroup, Adcom, DBA and On Time network brands. The Company also offers an expanding array of value-added supply chain management services, including customs and property brokerage, order fulfillment, inventory management and warehousing.

Through the Company s operating locations across North America, the Company offers domestic and international air, ocean and ground freight forwarding to a large and diversified account base consisting of manufacturers, distributors and retailers. The Company s primary business operations involve arranging the shipment, on behalf of their 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. The Company provides a wide range of value-added logistics solutions to meet customers specific requirements for transportation and related services, including arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems.

The Company s value-added logistics solutions are provided through their multi-brand network of company-owned and independent agent offices, using a network of independent air, ground and ocean carriers and international operating partners strategically positioned around the world. The Company creates value for their customers and independent agents through, among other things, customized logistics solutions, global reach, brand awareness, purchasing power, and infrastructure benefits, such as centralized back-office operations, and advanced transportation and accounting systems.

The Company s growth strategy will continue to focus on a combination of both organic and acquisition initiatives. For organic growth, the Company will focus on strengthening and retaining existing, and expanding new customer and agency relationships. In addition to its focus on organic growth, the Company will continue to search for acquisition candidates that bring critical mass from a geographic standpoint, purchasing power and/or complementary service offerings to the current platform. As the Company continues to grow and scale the business, the Company remains focused on leveraging its back-office infrastructure to drive productivity improvement across the organization. In addition, the Company is also developing density with in certain trade lanes which creates opportunities to more efficiently source and manage transportation capacity for existing freight volumes.

Interim Disclosure

The condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The Company s management believes that the disclosures are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended June 30, 2013.

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

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Basis of Presentation

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

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

b) Fair Value Measurements

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

c) Fair Value of Financial Instruments

The fair values of the Company s receivables, accounts payable and accrued transportation costs, commissions payable, other accrued costs and amounts due to former shareholders of acquired operations approximate the carrying values due to the relatively short maturities of these instruments. The fair value of the Company s credit facility and other long-term liabilities would not differ significantly from the recorded amount if recalculated based on current interest rates. Contingent consideration attributable to the Company s acquisitions are reported at fair value using Level 3 inputs.

d) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include all highly liquid investments with original maturities of three months or less that are not securing any corporate obligations. Checks issued by the Company that have not yet been presented to the bank for payment are reported as accounts payable and commissions payable in the accompanying consolidated balance sheets. Accounts payable and commissions payable includes outstanding payments which had not yet been presented to the bank for payment in the amounts of $5,140,107 and $4,775,189 as of December 31, 2013 and June 30, 2013, respectively.

e) Concentrations

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

f) Accounts Receivable

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

The Company derives a substantial portion of its revenue through independently-owned agent offices operating under the various Company brands. Each individual agent office is responsible for some or all of the bad debt expense related to the underlying customers being serviced by the office. To facilitate this arrangement, each office is required to maintain a security deposit with the Company that is recognized as a liability in the Company s financial statements. The Company charges each individual office s bad debt reserve account for any accounts receivable aged beyond 90 days. The bad debt reserve account is continually replenished with a portion (typically 5% - 10%) of the office s weekly commission check being directed to fund this account. However, the bad debt reserve account may carry a deficit balance when amounts charged to this reserve exceed amounts otherwise available in the bad debt reserve account. In these circumstances, deficit bad debt reserve accounts are recognized as a receivable in the Company s financial statements. Further, the agency agreements provide that the Company may withhold all or a portion of future commission checks payable to the individual office in satisfaction of any deficit balance. Currently, a number of the Company s agency offices have a deficit balance in their bad debt reserve account. The Company expects to replenish these funds through the future business operations of these offices. However, to the extent any of these offices were to cease operations or otherwise be unable to replenish these deficit accounts, the Company would be at risk of loss for any such amount.

g) Furniture and Equipment

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

h) Goodwill

Goodwill represents the excess of purchase price over the value assigned to the net tangible and identifiable intangible assets of a business acquired. The Company typically performs its annual goodwill impairment test effective as of April 1 of each year, unless events or circumstances indicate impairment may have occurred before that time. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. After assessing qualitative factors, the Company determined that no further testing was necessary. If further testing was necessary, the Company would have performed a two-step impairment test for goodwill. The first step requires the Company to determine the fair value of each reporting unit, and compare the fair value to the reporting unit s carrying amount. The Company has only one reporting unit. To the extent a reporting unit s carrying amount exceeds its fair value, an indication exists that the reporting unit s goodwill may be impaired and the Company must perform a second more detailed impairment assessment. The second impairment assessment involves allocating the reporting unit s fair value to all of its recognized and unrecognized assets and liabilities in order to determine the implied fair value of the reporting unit s goodwill as of the assessment date. The implied fair value of the reporting unit s goodwill is then compared to the carrying amount of goodwill to quantify an impairment charge as of the assessment date. As of December 31, 2013, management believes there are no indications of impairment.

i) Long-Lived Assets

Acquired intangibles consist of customer related intangibles and non-compete agreements arising from the Company s acquisitions. Customer related intangibles are amortized using accelerated methods over approximately five years and non-compete agreements are amortized using the straight line method over the term of the underlying agreements.

The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has performed a review of all long-lived assets and has determined no impairment of the respective carrying value has occurred as of December 31, 2013.

j) Business Combinations

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

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

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

k) Commitments

The Company has operating lease commitments for equipment rentals, office space, and warehouse space under non-cancelable operating leases expiring at various dates through May 2021. Rent expense is recognized straight line over the term of the lease. Minimum future lease payments (excluding the lease termination liability) under these non-cancelable operating leases for the next five fiscal years ending June 30 and thereafter are as follows:

2014 (remaining portion)	$	947,247
2015		1,402,656
2016		854,323
2017		565,463

2018		565,239
Thereafter		1,037,017
Total minimum lease payments	$	5,371,945

Rent expense amounted to $486,616 and $845,960 for the three and six months ended December 31, 2013, respectively. Rent expense amounted to $619,338 and $1,156,245 for the three and six months ended December 31, 2012, respectively.

l) Lease Termination Costs

Lease termination costs consist of expenses related to future rent payments for which we no longer intend to receive any economic benefit. A liability is recorded when we cease to use leased space. Lease termination costs are calculated as the present value of lease payments, net of expected sublease income, and the loss on disposition of assets. During the three and six months ended December 31, 2013, the Company paid $91,398 and $142,119 of the liability.

m) 401(k) Savings Plan

The Company has employee savings plans under which the Company provides safe harbor matching contributions. The Company s contributions under the plans were $86,689 and $153,407 for the three and six months ended December 31 2013, respectively, and were $50,104 and $118,157 for the three and six months ended December 31, 2012, respectively.

n) Income Taxes

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

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

o) Revenue Recognition and Purchased Transportation Costs

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

As a non-asset based carrier, the Company 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 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, warehousing and fulfillment services, is recognized upon completion of the service.

p) Share-Based Compensation

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

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Determining the fair value of share-based awards at the grant date requires judgment, including estimating the percentage of awards that will be forfeited, stock volatility, the expected life of the award, and other inputs. If actual forfeitures differ significantly from the estimates, share-based compensation expense and the Company s results of operations could be materially impacted. The Company issues new shares of common stock to satisfy exercises and vesting of awards granted under our stock plan.

The Company recorded share-based compensation expense of $143,998 and $277,187 for the three and six months ended December 31, 2013. The Company recorded share-based compensation expense of $103,243 and $204,744 for the three and six months ended December 31, 2012.

q) Basic and Diluted Income per Share

Basic income per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding. Diluted income per share is computed similar to basic income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares, such as stock options, had been issued and if the additional common shares were dilutive.

For the three months ended December 31, 2013, the weighted average outstanding number of potentially dilutive common shares totaled 36,466,123, including options to purchase 5,965,710 shares of common stock as of December 31, 2013, of which 1,015,971 were excluded as their effect would have been anti-dilutive. For the three months ended December 31, 2012, the weighted average outstanding number of potentially dilutive common shares totaled 35,384,437, including options to purchase 5,136,884 shares of common stock as of December 31, 2012, of which 1,304,513 were excluded as their effect would have been anti-dilutive.

For the six months ended December 31, 2013, the weighted average outstanding number of potentially dilutive common shares totaled 36,226,803, including options to purchase 5,965,710 shares of common stock as of December 31, 2013, of which 1,378,511 were excluded as their effect would have been anti-dilutive. For the six months ended December 31, 2012, the weighted average outstanding number of potentially dilutive common shares totaled 35,493,359, including options to purchase 5,136,884 shares as of December 31, 2012, of which 1,272,658 were excluded as their effect would have been anti-dilutive.

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

	Three months ended December 31,		Six months ended December 31,	
	2013	2012	2013	2012
Weighted average basic shares outstanding	33,601,956	33,041,430	33,469,659	33,036,270
Dilutive effect of share-based awards	2,864,167	2,343,007	2,757,144	2,457,089
Weighted average dilutive shares outstanding	36,466,123	35,384,437	36,226,803	35,493,359

r) Other Comprehensive Income

The Company has no components of Other Comprehensive Income and, accordingly, no Statement of Comprehensive Income has been included in the accompanying condensed consolidated financial statements.

s) Reclassifications

Certain amounts for prior periods have been reclassified in the accompanying condensed consolidated financial statements to conform to the classification used in fiscal year 2013.

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NOTE 3 BUSINESS ACQUISITIONS

Acquisition of On Time Express, Inc.

On October 1, 2013, through a wholly-owned subsidiary, Radiant Transportation Services, Inc., the Company acquired the stock of On Time Express, Inc. (On Time), a privately-held Arizona corporation founded in 1982. On Time has an extensive, dedicated line-haul network that it leverages in delivering customized time critical domestic and international logistics solutions to an account base that includes customers in the aviation, aerospace, plastic injection molding, medical device, furniture and automotive industries. The base purchase price is valued at up to approximately $20.0 million, consisting of: $7.0 million paid in cash at closing, $0.5 million paid through the issuance of the Company s common stock, $0.5 million payable as a working capital holdback plus a dollar-for-dollar payment of any working capital in excess of $750,000, $2.0 million in notes payable, and up to $10.0 million in aggregate Tier-1 earn-out payments following the four-year earn-out period immediately following closing. In addition, the transaction also provides for a Tier-2 earn-out payment calculated as 50% of the excess over a base target amount of $16,000,000 in cumulative earnings during the four-year Tier-1 earn-out period. The earn-out payments shall be made in a combination of cash and common stock, as the Company may elect to satisfy up to 25% of each Tier-1 earn-out payments and 50% of the Tier-2 earn-out payment through the issuance of its common stock valued based upon a 25-day volume weighted average price to be calculated preceding the delivery of the shares.

The transaction was financed with proceeds from the senior credit facility. The acquisition date fair value of the consideration transferred consisted of the following:

Fair value of consideration transferred		
Cash, net of cash acquired	$	6,952,056
Notes payable		2,000,000
Stock payable		500,000
Working capital holdback		1,311,776
Contingent consideration		7,000,000
Total	$	17,763,832

The fair value of the financial assets acquired included receivables with a fair value of $3,067,057. The gross amount due under the receivables was $3,084,077, of which $17,020 is expected to be uncollectible. 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 fair value of the contingent consideration was estimated using future projected gross margins of On Time and the corresponding future earn-out payments. To calculate fair value, the future earn-out payments were then discounted using Level 3 inputs. The Company believes the discount rate used to discount the earn-out payments reflect market participant assumptions.

The goodwill recognized is attributable primarily to its dedicated line-haul network and is not deductible for tax purposes.

Since acquisition, On Time produced revenue of approximately $7.0 million and income from operations of approximately $0.3 million, including amortization of intangibles resulting from the acquisition of $480,000.

If the acquisition had taken place effective July 1, 2012, the result would have produced combined revenue of $167.6 million and $171.0 million and combined net income of $1.5 million and $0.4 million for the six months ended December 31, 2013 and 2012, respectively. The unaudited pro forma financial information presented is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions and any borrowings undertaken to finance the acquisition had taken place at the beginning of fiscal 2013.

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The preliminary purchase price allocation for the On Time acquisition is as follows:

Current assets	$	3,319,231
Furniture and equipment		280,474
Deferred tax asset		166,000
Other assets		86,500
Intangibles		8,176,000
Goodwill		10,849,501
Total assets acquired		22,877,706
Current liabilities		1,843,474
Long-term deferred tax liability		3,270,400
Total liabilities assumed		5,113,874
Net assets acquired	$	17,763,832

The results of operations for the businesses acquired are included in our financial statements as of the date of purchase. The preliminary fair value estimates for the assets acquired and liabilities assumed are based upon preliminary calculations and valuations and our estimates and assumptions are subject to change as we obtain additional information for our estimates during the respective measurement periods (up to one year from the acquisition date). The primary areas of the preliminary estimates not yet finalized relates to certain tangible assets and liabilities acquired, identifiable intangible assets, and income and non-income based taxes.

NOTE 4 FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

		December 31, 2013		June 30, 2013
Vehicles	$	53,525	$	30,288
Communication equipment		39,110		36,341
Office and warehouse equipment		313,721		313,721
Furniture and fixtures		211,628		197,710
Computer equipment		729,416		621,511
Computer software		1,846,428		1,816,332
Leasehold improvements		925,137		752,723
		4,118,765		3,768,626

Less: Accumulated depreciation and amortization		(2,742,745)		(2,478,808)
Furniture and equipment, net	$	1,376,020	$	1,289,818

Depreciation and amortization expense related to furniture and equipment was $134,319 and $263,937 for the three and six months ended December 31, 2013, respectively, and $169,572 and $332,281 for the three and six months ended December 31, 2012, respectively.

NOTE 5 ACQUIRED INTANGIBLE ASSETS

The table below reflects acquired intangible assets related to all previous acquisitions including the fiscal year 2014 acquisition of On Time:

	December 31, 2013		June 30, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Customer related	$ 27,501,640	$ 12,278,127	$ 19,505,640	$ 10,511,810
Covenants not to compete	630,000	254,167	450,000	212,667
Total	$ 28,131,640	$ 12,532,294	$ 19,955,640	$ 10,724,477

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Amortization expense amounted to $1,107,337 and $1,807,817 for the three and six months ended December 31, 2013, respectively, and $845,795 and $1,802,890 for the three and six months ended December 31, 2012, respectively.

Future amortization expense as of December 31, 2013 for the fiscal years ending June 30 are as follows:

2014 (remaining portion)	$ 2,069,358
2015	3,510,111
2016	4,208,003
2017	2,916,974
2018	2,253,900
2019	641,000
	$ 15,599,346

NOTE 6 NOTES PAYABLE AND OTHER LONG-TERM DEBT

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

	December 31, 2013	June 30, 2013
Notes Payable Caltius	$ -	$ 10,000,000
Less: Original Issue Discount (net)	-	(899,700)
Less: Debt Issuance Costs (net)	-	(488,065)
Total Caltius Senior Subordinated Notes (net)	-	8,612,235
Notes Payable to former shareholders	2,767,091	767,091
Long-Term Credit Facility	8,713,630	8,601,189
Total notes payable and other long-term debt	11,480,721	17,980,515
Less: Current portion	(2,767,091)	(767,091)
Total notes payable and other long-term debt	$ 8,713,630	$ 17,213,424

Future maturities of notes payable and other long-term debt as of December 31, 2013 for the fiscal years ending June 30 are as follows:

2014 (remaining portion)	$ 2,267,091

2015		500,000
2016		-
2017		-
2018		-
Thereafter		8,713,630
	$	11,480,721

Bank of America Credit Facility

The Company has a $30.0 million senior credit facility (the Credit Facility) with Bank of America, N.A. (the Lender). The Credit Facility includes a $2.0 million sublimit to support letters of credit and matures August 9, 2018.

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Through the first anniversary of the Credit Facility, borrowings accrue interest, at the Company s option, at the Lender s prime rate minus 0.50% or LIBOR plus 2.25%. The rates can be subsequently adjusted based on the Company s fixed charge coverage ratio at the Lender s base rate plus 0.0% to 0.50% or LIBOR plus 1.50% to 2.25%. The Credit Facility is collateralized by the Company s accounts receivable and other assets of its subsidiaries.

The available borrowing amount is limited to up to 85% of eligible domestic accounts receivable and, subject to certain sub-limits, 75% of eligible accrued but unbilled receivables and foreign accounts receivable. Borrowings are available to fund future acquisitions, capital expenditures, repurchase of Company stock or for other corporate purposes. The terms of the Credit Facility are subject to customary financial and operational covenants, including covenants that may limit or restrict the ability to, among other things, borrow under the Credit facility, incur indebtedness from other lenders, and make acquisitions. As of December 31, 2013, the Company was in compliance with all of its covenants.

As of December 31, 2013, based on available collateral and $286,800 in outstanding letter of credit commitments, there was approximately $16,181,000 available for borrowing under the Credit Facility based on advances outstanding.

Caltius Senior Subordinated Notes

In connection with the Company s acquisition of ISLA, the Company entered into an Investment Agreement with Caltius Partners IV, LP and Caltius Partners Executive IV, LP (collectively, Caltius). Under the Investment Agreement, Caltius provided the Company with a $10.0 million aggregate principal amount evidenced by the issuance of senior subordinated notes (the Senior Subordinated Notes), the net proceeds of which were primarily used to finance the cash payments due at closing of the ISLA transaction. The Senior Subordinated Notes accrue interest at the rate of 13.5% per annum (the Accrual Rate), and must be paid currently in cash on a quarterly basis at a rate of 11.75% per annum (the Pay Rate). The Company repaid $8.0 million and $10.0 million of principal during the three and six months ended December 31, 2013, respectively. The early payment resulted in a write-off of the loan fees and original issue discount of $1,238,409.

The terms of the Investment Agreement are subject to customary financial and operational covenants, including covenants that may limit or restrict the ability to, among other things, incur indebtedness from other lenders, and make acquisitions. On December 20, 2013 the Company fully repaid all amounts due under the Investment Agreement and upon such payment, was in compliance with all of its covenants thereunder. Although we repaid the entire outstanding balance, the Company is still subject to customary contract obligations that survive repayment of all amounts due under the Investment Agreement.

DBA Notes Payable

In connection with the DBA acquisition, the Company issued notes payable in the amount of $4.8 million payable to the former shareholders of DBA. The notes accrue interest at a rate of 6.5%, and such interest is payable quarterly. The Company elected to satisfy $2.4 million of the notes through the issuance of the Company s common stock. The principal amount of the notes is payable annually on April 6 with the final installment of $767,091 due in fiscal year 2014.

On Time Notes Payable

In connection with the On Time acquisition, the Company issued notes payable in the amount of $2.0 million payable to the former shareholders of On Time. The notes accrue interest at a rate of 6.0%, and such principal and interest is payable quarterly. The $2,000,000 balance of the notes payable was repaid in January 2014.

NOTE 7 STOCKHOLDERS EQUITY

The Company is authorized to issue 5,000,000 shares of preferred stock, par value at $.001 per share and 100,000,000 shares of common stock, $.001 per share.

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Series A Preferred Stock

On December 20, 2013, the Company closed a registered underwritten public offering of 839,200 shares of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock (Series A Preferred Shares) liquidation preference $25.00 per share; including the partial exercise of the underwriters overallotment option. Proceeds from the offering totaled $19,320,659 after deducting the underwriting discount of $1,258,800 and offering costs of $400,541. The proceeds were used to retire the Senior Subordinated Notes and reduce borrowings under the Credit Facility.

Dividends on the Series A Preferred Shares are cumulative from the date of original issue and will be payable on January 31, April 30, July 31 and October 31 commencing on April 30, 2014 when, as and if declared by the Company s Board of Directors. If the Company does not pay dividends in full on any two payment dates (whether consecutive or not), the per annum dividend rate will increase an additional 2.0% per annum per $25.00 stated liquidation preference, up to a maximum of 19.0% per annum. If the Company fails to maintain the listing of the Series A Preferred Shares on the NYSE MKT or other exchange for 30 days or more, the per annum dividend rate will increase by an additional 2.0% per annum so long as the listing failure continues. The Series A Preferred Shares require the Company to maintain a Fixed Charge Coverage Ratio of at least 2.0. If the Company is not in compliance with this ratio it cannot pay any dividend on common stock. As of December 31, 2013 we are 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 shares of Series A Preferred Shares voting as a single class. The Series A Preferred Shares are senior to the Company s common stock with respect to dividends and distributions, including distributions upon liquidation, dissolution or winding up.

The Series A Preferred Shares are listed on the NYSE MKT under the symbol RLGT-PA.

Common Stock Repurchase Program

The Company s Board of Directors in November 2012 approved the repurchase of a maximum of 3,000,000 shares of Company common stock through December 31, 2013 to be retired as purchased. No shares have been repurchased during the six months ended December 31, 2013. This Common Stock Repurchase program has expired.

NOTE 8 VARIABLE INTEREST ENTITY AND RELATED PARTY TRANSACTIONS

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

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

For the three and six months ended December 31, 2013, RLP recorded $26,897 and $54,634 in profits, of which RCP s distributable share was $16,138 and $32,780, respectively. For the three and six months ended December 31, 2012, RLP recorded $57,952 and $108,387 in profits, of which RCP s distributable share was $34,771 and $65,032, respectively. The non-controlling interest recorded as a reduction of income on the statements of operations represents RCP s distributive share.

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NOTE 9 FAIR VALUE MEASUREMENTS

The following table sets forth the Company s financial liabilities measured at fair value on a recurring basis:

	Fair Value Measurements as of December 31, 2013	
	Level 3	Total
Contingent consideration	$ 10,495,000	$ 10,495,000

	Fair Value Measurements as of June 30, 2013	
	Level 3	Total
Contingent consideration	$ 4,025,000	$ 4,025,000

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 three fiscal years. Contingent consideration is measured quarterly at fair value, and any change in the contingent liability is included in the consolidated statements of operations. The Company recorded a decrease to contingent consideration of $17,567 and $212,567 for the three and six months ended December 31, 2013, respectively, primarily for the ISLA and ALBS acquisitions. The Company recorded a decrease to contingent consideration of $325,000 and $275,000 for the three and six months ended December 31, 2012, respectively, primarily for the ISLA and ALBS acquisitions. The reductions in contingent consideration were a result of the acquisitions not meeting their anticipated financial targets and additionally management s judgment surrounding the projected future operating results of the acquired businesses relative to the specified operating objectives and financial targets associated with earn-outs in their respective agreements.

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 $21,483,000 through earn-out periods measured through March 2018.

	Contingent consideration
Balance, June 30, 2013	$ 4,025,000
Increase related to accounting for acquisitions	7,000,000
Earned amounts reclassified to Due to former shareholders of acquired operations	(317,433)
Change in fair value	(212,567)
Balance, December 31, 2013	$ 10,495,000

NOTE 10 PROVISION FOR INCOME TAXES

	Three months ended December 31,		Six months ended December 31,	
	2013	2012	2013	2012
Current income tax expense	203,678	462,564	1,006,150	1,176,636
Deferred income tax benefit	(53,597)	(860,220)	(204,234)	(1,234,288)
Income tax expense (benefit)	150,081	(397,656)	801,916	(57,652)

Tax years that remain subject to examination by federal and state authorities are the years ended June 30, 2010 through June 30, 2013.

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NOTE 11 SHARE-BASED COMPENSATION

Stock Awards

The Company granted restricted stock awards to certain employees in August 2012. The shares are restricted in transferability for a term of up to five years and are forfeited in the event the employee terminates employment prior to the lapse of the restriction. The awards generally vest ratably over a five-year period. During the three and six months ended December 31, 2013, the Company recognized share-based compensation expense of $1,261 and $2,522, respectively, related to stock awards. During the three months and six months ended December 31, 2012, the Company recognized share-based compensation expense of $1,261 and $8,442, respectively, related to stock awards. The following table summarizes stock award activity under the plan for the six months ended December 31, 2013.

	Number of Shares	Weighted Average Grant-date Fair value
Unvested as of June 30, 2013	10,804	$ 1.65
Vested	(3,113)	1.65
Unvested as of December 31, 2013	7,691	$ 1.65

Stock Options

In October 2013, the Company issued options to certain employees to purchase 100,000 shares of common stock at an exercise price of $2.40 per share. In November 2013, the Company issued options to certain employees to purchase 26,930 shares of common stock at an exercise price of $2.22 per share and 150,000 shares of common stock at an exercise price of $2.30 per share. The options generally vest ratably over a five-year period. Subsequent to quarter end an employee exercised an option contract that increased the shares outstanding by an additional 24,084 shares.

During the three and six months ended December 31, 2013, the weighted average fair value per share of employee options granted was $1.44 and $1.32. The fair value of options granted were estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions for each issuance of options:

	Six months ended December 31, 2013
Risk-Free Interest Rate	1.95% - 2.16%
Expected Term	6.5 years
Expected Volatility	64.60% - 64.99%
Expected Dividend Yield	0.00%

During the three and six months ended December 31, 2013 the Company recognized share-based compensation expense related to stock options of $142,737 and $274,665, respectively. During the three and six months ended December 31, 2012 the Company recognized share-based compensation expense related to stock options of $101,982 and $196,302, respectively. The following table summarizes activity under the plan for the six months ended

December 31, 2013:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life - Years		Aggregate Intrinsic Value
Outstanding as of June 30, 2013	5,255,781	$	1.05	5.08 years	$	5,110,000
Granted	806,929		2.14	10.00 years		-
Exercised	(95,000)		0.26	-		-
Forfeited	(2,000)		2.40	-		-
Outstanding as of December 31, 2013	5,965,710	$	1.21	5.27 years	$	8,794,895
Exercisable as of December 31, 2013	3,738,357	$	0.72	3.16 years	$	7,337,033

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NOTE 12 CONTINGENCIES

Legal Proceedings

DBA Distribution Services, Inc.

In December 2012, an arbitrator awarded the Company net damages of $698,623 from the former shareholders of DBA, finding that the former shareholders breached certain representations and warranties contained in the DBA Agreement. In addition, the arbitrator found that Paul Pollara breached his noncompetition obligation to the Company and enjoined Mr. Pollara from engaging in any activity in contravention of his obligations of noncompetition and non-solicitation, including activities that relate to Santini Productions and his spouse, Bretta Santini Pollara until March 2016. The award also provided that the former DBA Shareholders and Mr. Pollara must pay to the Company the administrative fees, compensation and expenses of the arbitrator associated with the arbitration. The award has been off-set against amounts due to former shareholders of acquired operations. The gain on litigation settlement was recorded net of judgment interest and associated legal costs.

In a related matter, in December 2011, Ms. Pollara filed a claim for declaratory relief against the Company seeking an order stipulating that she is not bound by the non-compete covenant contained within the DBA Agreement signed by her husband, Mr. Pollara. On January 23, 2012, the Company filed a counterclaim against Ms. Pollara, her company Santini Productions, Daniel Reffner (a former employee of the Company now working for Ms. Pollara), and Oceanair, Inc. (Oceanair , a company doing business with Santini Productions). The Company s counterclaim alleges claims for statutory and common law misappropriation of trade secrets, breach of duty of loyalty, and unfair competition, and seeks damages in excess of $500,000. Following certain procedural motions, two of our wholly-owned subsidiaries, DBA and RGL, intervened and filed a Second Amendment Counterclaim in the lawsuit. After further procedural matters were addressed, the claims that remain at issue are: (1) DBA s statutory trade secret misappropriation claim against Ms. Pollara, Santini Productions, and Oceanair; (2) RGL s and DBA s claims for interference with contractual relations against Oceanair; and (3) RGL s and DBA s claim for inducement to breach contract against Oceanair. A trial date is scheduled for April 2014.

In addition to the foregoing, the Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company s consolidated financial position, results of operations or liquidity.

Contingent Consideration and Earn-out Payments

The Company s agreements with respect to the previous acquisitions, including On Time (See Note 3), contain future consideration provisions that provide for the selling shareholder to receive additional consideration if specified operating objectives and financial results are achieved in future periods, as defined in their respective agreements. Any changes to the fair value of the contingent consideration are recorded in the consolidated statements of operations. Earn-out payments are generally due annually on November 1, and 90 days following the quarter of the final earn-out period for each respective acquisition.

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

	2015	2016	2017	2018	Total

Earn-out payments (in thousands):					
Cash	$ 1,434	$ 4,026	$ 1,584	$ 2,089	$ 9,133
Equity	345	1,021	528	939	2,833
Total estimated earn-out payments(1)	$ 1,779	$ 5,047	$ 2,112	$ 3,028	$ 11,966

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

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NOTE 13 OPERATING AND GEOGRAPHIC SEGMENT INFORMATION

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions regarding allocation of resources and assessing performance. The Company s chief decision-maker is the Chief Executive Officer. The Company continues to operate in a single operating segment.

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

	United States		Other Countries		Total	
	2013	2012	2013	2012	2013	2012
Three months ended December 31:						
Revenue	$ 51,547	$ 41,569	$ 32,597	$ 36,609	$ 84,144	$ 78,178
Cost of transportation	34,385	27,474	25,393	29,178	59,778	56,653
Net revenue	$ 17,162	$ 14,095	$ 7,204	$ 7,431	$ 24,366	$ 21,525

	United States		Other Countries		Total	
	2013	2012	2013	2012	2013	2012
Six months ended December 31:						
Revenue	$ 96,051	$ 84,186	$ 64,794	$ 73,140	$ 160,845	$ 157,326
Cost of transportation	63,491	55,715	49,768	57,848	113,259	113,563
Net revenue	$ 32,560	$ 28,471	$ 15,026	$ 15,292	$ 47,586	$ 43,763

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
CAUTIONARY STATEMENT REGARDING 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, seek, see, strategy, or will or the negative thereof or 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. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: continued relationships with our independent agents; challenges in locating suitable acquisition opportunities and securing the financing necessary to complete such acquisitions; general industry conditions and competition; domestic and international economic and political factors; transportation costs; our ability to mitigate, to the best extent possible, our dependence on current management and certain of our larger agency locations; laws and 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 below under the caption Risk Factors below. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the foregoing. Readers are cautioned not to place undue reliance on our forward-looking statements, as they speak only as of the date made. Except as required by law, we assume no duty to update or revise our forward-looking statements.*

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

Overview

We are a non-asset based transportation and logistics services company providing customers domestic and international freight forwarding services through a network of company-owned and independent agent offices operating under the Radiant, Airgroup, Adcom, DBA and On Time network brands. We also offer an expanding array of value-added supply chain management services, including customs and property brokerage, order fulfillment, inventory management and warehousing.

Through our operating locations across North America, we offer domestic and international air, ocean and ground freight forwarding to a large and diversified account base consisting of manufacturers, distributors and retailers. 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. We provide a wide range of value-added logistics solutions to meet customers specific requirements for transportation and related services, including arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems.

Our value-added logistics solutions are provided through our multi-brand network of company-owned and independent agent offices, using a network of independent air, ground and ocean carriers and international operating partners strategically positioned around the world. We create value for our customers and independent agents through, among other things, our customized logistics solutions, global reach, brand awareness, purchasing power, and infrastructure benefits, such as centralized back-office operations, and advanced transportation and accounting systems.

As we continue to grow and scale the business, we are developing density in our trade lanes which creates opportunities for us to more efficiently source and manage our transportation capacity. In pursuing this opportunity, we recently launched an organic initiative to offer truck brokerage capabilities through our wholly-owned subsidiary, Radiant Transportation Services, Inc. in an effort to internalize a portion of purchased transportation expenditures with our unaffiliated third party truck brokers and expand the margin characteristics of our existing business.

Our most recent purchase was the acquisition of Phoenix, Arizona based On Time Express, Inc. (On Time). On Time is a solutions based logistics company with a dedicated line-haul network that it leverages in delivering customized time critical domestic and international logistics solutions to an account base that includes customers in the aviation, aerospace, plastic injection molding, medical device, furniture and automotive industries. We expect that On Time will continue to operate as a stand-alone business unit separate from RGL and in addition to supporting its own end customers, will also provide transportation capacity to our operating locations across North America with LTL and expedited ground service. We believe that access to On Time s dedicated line-haul network 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 agent offices to our network.

Our growth strategy will continue to focus on both organic growth and growth through acquisition. For organic growth, we will focus on enhancing our back-office infrastructure, transportation and accounting systems, strengthening and retaining existing agency relationships, and expanding new customer agency relationships domestically and internationally. In addition to the focus on organic growth, we also will continue to search for targets that fit within our acquisition criteria.

Performance Metrics

Our principal source of income is derived from freight forwarding services. As a freight forwarder, 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.

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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. We act principally as the service provider to add value in the execution and procurement of these services to our customers. Our net transportation revenue (gross transportation revenue less the direct cost of transportation) is the primary indicator of our ability to source, add value and resell services provided by third parties, and is considered by management to be a key performance measure. In addition, management believes measuring its operating costs as a function of net transportation revenue provides a useful metric, as our ability to control costs as a function of net transportation revenue directly impacts operating earnings.

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

Our GAAP-based net income will be affected by non-cash charges relating to the amortization of customer related intangible assets and other intangible assets attributable to completed acquisitions. Under applicable accounting standards, purchasers are required to allocate the total consideration in a business combination to the identified assets acquired and liabilities assumed based on their fair values at the time of acquisition. The excess of the consideration paid over the fair value of the identifiable net assets acquired is to be allocated to goodwill, which is tested at least annually for impairment. Applicable accounting standards require that we separately account for and value certain identifiable intangible assets based on the unique facts and circumstances of each acquisition. As a result of our acquisition strategy, our net income will include material non-cash charges relating to the amortization of customer related intangible assets and other intangible assets acquired in our acquisitions and changes in contingent consideration. 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 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 furniture and equipment, all amortization charges, including amortization of leasehold improvements and other intangible assets. We then further adjust EBITDA to exclude changes in contingent consideration, expenses specifically attributable to acquisitions, extraordinary items, costs related to share-based compensation expense, 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 condensed consolidated financial statements.

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

Results of Operations

Three months ended December 31, 2013 and 2012 (actual and unaudited)

The following table summarizes transportation revenue, cost of transportation and net transportation revenue (in thousands) for the three months ended December 31, 2013 and 2012 (actual and unaudited):

	Three months ended December 31,		Change	
	2013	**2012**	**Amount**	**Percent**
Transportation revenue	$ 84,144	$ 78,178	$ 5,966	7.6%
Cost of transportation	59,778	56,653	3,125	5.5%
Net transportation revenue	$ 24,366	$ 21,525	$ 2,841	13.2%
Net transportation margins	29.0%	27.5%		

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We generated transportation revenue of $84.1 million and net transportation revenue of $24.4 for the three months ended December 31, 2013, as compared to transportation revenue of $78.2 million and net transportation revenue of $21.5 million for the three months ended December 31, 2012. Domestic and international transportation revenue was $51.5 million and $32.6 million, respectively, for the three months ended December 31, 2013, compared to $41.6 million and $36.6 million, respectively, for the three months ended December 31, 2012. The increase in domestic revenue is due principally to our acquisition of On Time. The decrease in international revenue is principally due to slower cross-border shipping into and out of Mexico, lower charter services and less project work.

Cost of transportation increased 5.5% to $59.8 million for the three months ended December 31, 2013, compared to $56.7 million for the three months ended December 31, 2012. Net transportation margins increased to 29.0% of transportation revenue for the three months ended December 31, 2013, as compared to 27.5% of transportation revenue for the three months ended December 31, 2012. The increase in margins is attributable to numerous factors including differing product mixes of shipments throughout the quarter.

The following table compares certain condensed consolidated statements of operations data as a percentage of our net transportation revenue (in thousands) for the three months ended December 31, 2013 and 2012 (actual and unaudited):

	Three months ended December 31,					
	2013		2012		Change	
	Amount	Percent	Amount	Percent	Amount	Percent
Net transportation revenue	$ 24,366	100.0%	$ 21,525	100.0%	$ 2,841	13.2%
Agent commissions	12,906	53.0%	13,184	61.2%	(278)	(2.1%)
Personnel costs	5,396	22.1%	4,188	19.5%	1,208	28.8%
Selling, general and administrative	2,687	11.0%	2,184	10.1%	503	23.0%
Depreciation and amortization	1,242	5.1%	1,015	4.7%	227	22.4%
Transition and lease termination costs	-	-	1,544	7.2%	(1,544)	(100.0%)
Change in contingent consideration	(18)	(0.1%)	(325)	(1.5%)	307	(94.5%)
Total operating expenses	22,213	91.1%	21,790	101.2%	423	1.9%
Income (loss) from operations	2,153	8.9%	(265)	(1.2%)	2,418	(912.5%)
Other expense	(1,723)	(7.1%)	(77)	(0.4%)	(1,646)	2,137.7%
Income (loss) before income taxes and non-controlling interest	430	1.8%	(342)	(1.6%)	772	(225.7%)
Income tax benefit (expense)	(150)	(0.6%)	398	1.9%	(548)	(137.7%)
Income before non-controlling interest	280	1.2%	56	0.3%	224	(400.0%)
Non-controlling interest	(16)	(0.1%)	(35)	(0.2%)	19	(54.3%)

Net income	$	264	1.1%	$	21	0.1%	$	243	1,157.1%

Agent commissions were $12.9 million for the three months ended December 31, 2013, a decrease of 2.1% from $13.2 million for the three months ended December 31, 2012. Agent commissions as a percentage of net transportation revenue decreased to 53.0% for the three months ended December 31, 2013, from 61.2% for the comparable prior year period due to our acquisitions of Marvir, IFS and On Time, which added company-owned operations in Los Angeles, Portland, Phoenix, Dallas and Atlanta. Company-owned locations are not paid commissions.

Personnel costs were $5.4 million for the three months ended December 31, 2013, an increase of 28.8% from $4.2 million for the three months ended December 31, 2012. Personnel costs as a percentage of net transportation revenue increased to 22.1% for the three months ended December 31, 2013, from 19.5% for the comparable prior year period. The increase is primarily attributable to our acquisitions of Marvir, IFS and On Time, which added personnel costs associated with the new company-owned operations in Los Angeles, Portland, Phoenix, Dallas and Atlanta, as well as a higher head-count at the corporate office and some company-owned locations.

Selling, general and administrative expenses were $2.7 million for the three months ended December 31, 2013, an increase of 23.0% from $2.2 million for the three months ended December 31, 2012. Selling, general and administrative expenses as a percentage of net transportation revenue increased to 11.0% for the three months ended December 31, 2013, from 10.1% for the comparable prior year period. The increase was driven principally by additional costs associated with the acquisition of On Time, higher legal fees, offset by savings associated with combining our two company-owned locations in Los Angeles and increased collection of older receivables, including non-recurring transaction costs of less than $0.1 million.

Depreciation and amortization costs were $1.2 million for the three months ended December 31, 2013, an increase of 22.4% from $1.0 million for the three months ended December 31, 2012. Depreciation and amortization as a percentage of net transportation revenue increased to 5.1% for the three months ended December 31, 2013, from 4.7% for the comparable prior year period. The increase is primarily due to scheduled changes in the amortization costs associated with our acquisitions including ISLA and ALBS, partially offset by the additional amortization of On Time.

There were no transition and lease termination costs for the three months ended December 31, 2013. Transition and lease termination costs for the three months ended December 31, 2012 represent non-recurring operating costs incurred in connection with the relocation of the former DBA facility in Los Angeles to a new location, certain personnel costs that are being eliminated in connection with the combination of the historical DBA and Marvir locations, and a loss on disposal of furniture of equipment which totaled $1.5 million. Non-recurring transition and lease termination costs were 7.2% of net transportation revenue for the three months ended December 31, 2012.

Change in contingent consideration represents the change in the fair value of contingent consideration due to former shareholders of acquired operations. For the three months ended December 31, 2013, change in contingent consideration totaled income of less than $0.1 million and was attributable to changes in actual payouts. The income of $0.3 million for the three months ended December 31, 2012 was attributable primarily to ISLA and ALBS not achieving their specified operating objectives. As a percentage of net transportation revenue, the change in contingent consideration was 0.1% for the three months ended December 31, 2013 and 1.5% for the three months ended December 31, 2012.

Income from operations was $2.2 million for the three months ended December 31, 2013 compared to a loss of $0.3 million for the three months ended December 31, 2012, a 912.5% increase. The increase is attributable to several factors, favorable and unfavorable to the Company. Net revenues increased $2.8 million primarily due to additional revenues associated with the On Time acquisition. Agent Commissions expense decreased approximately $0.3 million due to lower sales where commissions are earned by the agency based network. Personnel costs increased $1.2 million due to the additional employees acquired with the Marvir, IFS and On Time acquisitions. Selling, general and administrative expenses increased $0.1 million principally due to our acquisition of On Time, offset by savings associated with combining our two Los Angeles company-owned locations, and favorable collection of older receivables. Depreciation and amortization costs increased $0.2 million due to changes in our amortization charges schedule associated with our acquisitions. Transition and lease termination costs decreased $1.5 million over the prior year due to the relocation of the former DBA Los Angeles facility into the Marvir Los Angeles facility. Change in contingent consideration decreased $0.3 million due to changes in the projected future operating results of acquired businesses relative to the specified operating objectives and financial targets associated with earn-outs in their respective agreements.

Other expense was $1.7 million for the three months ended December 31, 2013, compared to $0.1 million for the three months ended December 31, 2012. As a percentage of net transportation revenue, other expense was 7.0% for the three months ended December 31, 2013, up from 0.4% for the three months ended December 31, 2012, as a result of the loss on write-off of the debt discount in the current period and the gain on litigation settlement in the prior period.

Net income was $0.3 million for the three months ended December 31, 2013, reflecting a $0.2 million increase from our net income of less than $0.1 million for the three months ended December 31, 2012, driven by increased operating income offset by a significant increase in other expense and an increase in income tax expense.

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The following table provides a reconciliation for the three months ended December 31, 2013 and 2012 of adjusted EBITDA to net income, the most directly comparable GAAP measure in accordance with SEC Regulation G (in thousands):

	Three months ended December 31, 2013	2012	Change Amount	Percent
Net transportation revenue	$ 24,366	$ 21,525	$ 2,841	13.2%
Net income	$ 264	$ 21	243	1,157.1%
Income tax expense (benefit)	150	(398)	548	(137.7%)
Net interest expense	493	508	(15)	(3.0%)
Depreciation and amortization	1,242	1,015	227	22.4%
EBITDA	$ 2,149	$ 1,146	$ 1,003	87.5%
Share-based compensation	144	103	41	39.8%
Change in contingent consideration	(18)	(325)	307	(94.5%)
Loss on write-off of debt discount	1,238	-	1,238	NM
Gain on litigation settlement, net	-	(368)	368	100.0%
Lease termination costs	-	1,439	(1,439)	(100.0%)
Acquisition related costs	75	39	36	92.3%
Adjusted EBITDA	$ 3,588	$ 2,034	1,554	76.4%
Adjusted EBITDA as a % of net transportation revenue	14.7%	9.5%		5.2%

We had adjusted EBITDA of $3.6 million and $2.0 million for the three months ended December 31, 2013 and 2012, respectively.

Adjusted EBITDA as a percentage of net transportation revenue increased to 14.7% for the three months ended December 31, 2013 from 9.5% for the three months ended December 31, 2012 as a result of the leverage of our operating platform.

Six months ended December 31, 2013 and 2012 (actual and unaudited)

The following table summarizes transportation revenue, cost of transportation and net transportation revenue (in thousands) for the six months ended December 31, 2013 and 2012 (actual and unaudited):

	Six months ended December 31, 2013	2012	Change Amount	Percent

Transportation revenue	$	160,845	$	157,326	$ 3,519	2.2%
Cost of transportation		113,259		113,563	(304)	(0.3%)
Net transportation revenue	$	47,586	$	43,763	$ 3,823	8.7%
Net transportation margins		29.6%		27.8%		

We generated transportation revenue of $160.8 million and net transportation revenue of $47.6 for the six months ended December 31, 2013, as compared to transportation revenue of $157.3 million and net transportation revenue of $43.8 million for the six months ended December 31, 2012. Domestic and international transportation revenue was $96.1 million and $64.8 million, respectively, for the six months ended December 31, 2013, compared to $84.2 million and $73.1 million, respectively, for the six months ended December 31, 2012. The changes in domestic revenue were due principally to incremental increase in revenues associated with our acquisition of On Time. The changes in international revenue are principally due to incremental decreased revenues associated with slower cross-border shipping into and out of Mexico, lower charter services and less project work.

Cost of transportation decreased 0.3% to $113.3 million for the six months ended December 31, 2013, compared to $113.6 million for the six months ended December 31, 2012. Net transportation margins increased to 29.6% of transportation revenue for the six months ended December 31, 2013, as compared to 27.8% of transportation revenue for the six months ended December 31, 2012. The increase in margins is attributable to numerous factors including differing product mixes of shipments throughout the quarter.

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The following table compares certain condensed consolidated statements of operations data as a percentage of our net transportation revenue (in thousands) for the six months ended December 31, 2013 and 2012 (actual and unaudited):

	Six months ended December 31, 2013							
	2013			2012			Change	
		Amount	Percent		Amount	Percent		Amount	Percent
Net transportation revenue	$	47,586	100.0%	$	43,763	100.0%	$	3,823	8.7%
Agent commissions		26,541	55.8%		26,479	60.5%		62	0.2%
Personnel costs		9,888	20.8%		8,302	19.0%		1,586	19.1%
Selling, general and administrative		4,951	10.4%		4,727	10.8%		224	4.7%
Depreciation and amortization		2,072	4.4%		2,135	4.9%		(63)	(3.0%)
Transition and lease termination costs		-	-		1,544	3.5%		(1,544)	(100.0%)
Change in contingent consideration		(213)	(0.5%)		(275)	(0.6%)		62	(22.5%)
Total operating expenses		43,239	90.9%		42,912	98.1%		327	0.8%
Income from operations		4,347	9.1%		851	1.9%		3,496	410.8%
Other expense		(2,157)	(4.5%)		(419)	(0.9%)		(1,738)	414.8%
Income before income taxes and non-controlling interest		2,190	4.6%		432	1.0%		1,758	406.9%
Income tax benefit (expense)		(802)	(1.7%)		58	0.1%		(860)	(1,482.8%)
Income before non-controlling interest		1,388	2.9%		490	1.1%		898	183.3%
Non-controlling interest		(33)	(0.1%)		(65)	(0.1%)		32	(49.2%)
Net income	$	1,355	2.8%	$	425	1.0%	$	930	218.8%

Agent commissions remained relatively constant at $26.5 million for the six months ended December 31, 2013 and 2012. Agent commissions as a percentage of net transportation revenue decreased to 55.8% for the six months ended December 31, 2013, from 60.5% for the comparable prior year period as a result of our acquisitions of Marvir, IFS and On Time, which added company-owned operations in Los Angeles, Portland, Phoenix, Dallas and Atlanta. Company-owned locations are not paid commissions.

Personnel costs were $9.9 million for the six months ended December 31, 2013, an increase of 19.1% from $8.3 million for the six months ended December 31, 2012. Personnel costs as a percentage of net transportation revenue increased to 20.8% for the six months ended December 31, 2013, from 19.0% for the comparable prior year period. The increase is primarily attributable to our acquisitions of Marvir, IFS, and On Time, which added the personnel costs associated with the new company-owned operations in Los Angeles, Portland, Phoenix, Dallas and Atlanta, as well as a higher head-count at the corporate office and some company-owned locations.

Selling, general and administrative expenses were $5.0 million for the six months ended December 31, 2013, an increase of 4.7% from $4.7 million for the six months ended December 31, 2012. As a percentage of net transportation revenue, selling, general and administrative expenses decreased to 10.4% for the six months ended December 31, 2013, from 10.8% for the comparable prior year period. The increase was driven principally by our acquisition of On Time, partially offset by savings associated with combining our two company-owned locations in Los Angeles and increased collections of older receivables, including non-recurring transaction costs of less than $0.2 million.

Depreciation and amortization costs were $2.1 million for the six months ended December 31, 2013 and 2012, a decrease of 3.0%. Depreciation and amortization as a percentage of net transportation revenue decreased to 4.4% for the six months ended December 31, 2013, from 4.9% for the comparable prior year period. The decrease is primarily due to scheduled changes in the amortization costs associated with our acquisitions of Adcom, ISLA, and ALBS, partially offset by the additional amortization of On Time.

There were no transition and lease termination costs for the six months ended December 31, 2013. Transition and lease termination costs for the six months ended December 31, 2012 totaled $1.5 million. Transition and lease termination costs for the six months ended December 31, 2012 represent non-recurring operating costs incurred in connection with the relocation of the former DBA facility in Los Angeles to a new location, certain personnel costs that are being eliminated in connection with the combination of the historical DBA and Marvir locations, and a loss on disposal of furniture of equipment. Non-recurring transition and lease termination costs were 3.5% of net transportation revenue for the six months ended December 31, 2012.

Change in contingent consideration represents the change in the fair value of contingent consideration due to former shareholders of acquired operations and totaled income of $0.2 for the six months ended December 31, 2013 compared to income of less than $0.3 million for the six months ended December 31, 2012. As a percentage of net transportation revenue, the change in contingent consideration was 0.5% for the six months ended December 31, 2013, compared to 0.6% for the six months ended December 31, 2012.

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Income from operations was $4.3 million for the six months ended December 31, 2013 compared to $0.9 million for the six months ended December 31, 2012, a 410.8% increase. The increase is attributable to several factors, favorable and unfavorable to the Company. Net revenues increased $3.8 million primarily due to additional revenues associated with the On Time acquisition. Personnel costs increased $1.6 million due to the additional employees acquired with the Marvir, IFS and On Time acquisitions. Selling, general and administrative expenses increased $0.2 million due principally to our acquisition of On Time, partially offset by savings associated with combining our two Los Angeles company-owned locations, and favorable results surrounding the collection of older receivables. Depreciation and amortization costs decreased $0.1 million due to changes in our amortization charges schedule associated with our acquisitions. Transition and lease termination costs decreased $1.5 million over the prior year due to the relocation of the former DBA Los Angeles facility into the Marvir Los Angeles facility. Change in contingent consideration decreased $0.1 million due to changes in the projected future operating results of acquired businesses relative to the specified operating objectives and financial targets associated with earn-outs in their respective agreements.

Other expense was $2.2 million for the six months ended December 31, 2013, compared to $0.4 million for the six months ended December 31, 2012. As a percentage of net transportation revenue, other expense was 4.5% for the six months ended December 31, 2013, up from 0.9% for the six months ended December 31, 2012. The increase is due to the write-off of the debt discount in the current period and the gain on litigation settlement in the prior period.

Net income was $1.4 million for the six months ended December 31, 2013, reflecting a $0.9 million, or 218.8% increase from $0.4 million for the six months ended December 31, 2012. The increase is primarily attributable to increased operating income, partially offset by a significant increase in other expense and an increase in income tax expense.

The following table provides a reconciliation for the six months ended December 31, 2013 and 2012 of adjusted EBITDA to net income, the most directly comparable GAAP measure in accordance with SEC Regulation G (in thousands):

	Six months ended December 31,		Change	
	2013	2012	Amount	Percent
Net transportation revenue	$ 47,586	$ 43,763	$ 3,823	8.7%
Net income	$ 1,355	$ 425	$ 930	218.8%
Income tax expense (benefit)	802	(58)	860	(1,482.8%)
Net interest expense	1,012	998	14	1.4%
Depreciation and amortization	2,072	2,135	(63)	(3.0%)
EBITDA	$ 5,241	$ 3,500	$ 1,741	49.7%
Share-based compensation	277	205	72	35.1%
Change in contingent consideration	(213)	(275)	62	(22.5%)
Loss on write-off of debt discount	1,238		1,238	NM
Gain on litigation settlement, net		(368)	368	100.0%
Lease termination costs		1,439	(1,439)	(100.0%)
Acquisition related costs	141	39	102	261.5%

Adjusted EBITDA	$ 6,684	$ 4,540	$ 2,143	47.2%
Adjusted EBITDA as a % of net transportation revenue	14.0%	10.4%		3.6%

We had adjusted EBITDA of $6.7 million and $4.5 million for the six months ended December 31, 2013 and 2012, respectively.

Adjusted EBITDA as a percentage of net transportation revenue increased to 14.0% for the six months ended December 31, 2013 from 10.4% for the six months ended December 31, 2012 as a result of the leverage of our operating platform.

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Supplemental Pro forma Information

Basis of Presentation

The results of operations discussion that appears below has been presented utilizing a combination of historical and, where relevant, pro forma unaudited information to include the effects on our condensed consolidated financial statements of our acquisitions of Marvir, IFS and On Time. The pro forma results are developed to reflect a consolidation of the historical results of operations of the Company and adjusted to include the historical results of Marvir, IFS and On Time, as if we had acquired all of them as of July 1, 2012. The pro forma results are also adjusted to reflect a consolidation of the historical results of operations of Marvir, IFS, On Time and the Company as adjusted to reflect the amortization of acquired intangibles and are also provided in the consolidated financial statements included within this report.

The pro forma financial data is not necessarily indicative of results of operations that would have occurred had these acquisitions been consummated at the beginning of the periods presented or which might be attained in the future.

The following table summarizes transportation revenue, cost of transportation and net transportation revenue (in thousands) for the six months ended December 31, 2013 and 2012 (pro forma and unaudited):

	Six months ended December 31, 2013	Six months ended December 31, 2012	Change Amount	Change Percent
Transportation revenue	$ 167,569	$ 171,023	$ (3,454)	(2.0%)
Cost of transportation	118,423	123,858	(5,435)	(4.4%)
Net transportation revenue	$ 49,146	$ 47,165	$ 1,981	4.2%
Net transportation margins	29.3%	27.6%		

Pro forma transportation revenue was $167.6 million for the six months ended December 31, 2013, a decrease of 2.0% from $171.0 million for the six months ended December 31, 2012.

Pro forma cost of transportation was $118.4 million for the six months ended December 31, 2013, a decrease of 4.4% from $123.9 million for the six months ended December 31, 2012.

Pro forma net transportation margins were 29.3% and 27.6% for the six months ended December 31, 2013 and 2012, respectively.

The following table compares certain condensed consolidated statements of operations data as a percentage of our net transportation revenue (in thousands) for the six months ended December 31, 2013 and 2012 (pro forma and unaudited):

	Six months ended December 31, 2013		2012		Change	
	Amount	Percent	Amount	Percent	Amount	Percent

Net transportation revenue	$	49,146	100.0%	$	47,165	100.0%	$	1,981	4.2%
Agent commissions		26,541	54.0%		25,867	54.8%		674	2.6%
Personnel costs		10,166	20.7%		9,839	20.9%		327	3.3%
Selling, general and administrative		5,346	10.9%		6,004	12.7%		(658)	(11.0%)
Depreciation and amortization		2,584	5.3%		3,278	7.0%		(694)	(21.2%)
Transition and lease termination costs		-	-		1,544	3.3%		(1,544)	(100.0%)
Change in contingent consideration		(213)	(0.5%)		(275)	(0.6%)		(62)	(22.5%)
Total operating expenses		44,424	90.4%		46,257	98.1%		(1,833)	(4.0%)
Income from operations		4,722	9.6%		908	1.9%		3,814	420.0%
Other expense		(2,252)	(4.6%)		(555)	(1.2%)		(1,697)	305.8%
Income before income taxes and non-controlling interest		2,470	5.0%		353	0.7%		2,117	599.7%
Income tax benefit (expense)		(914)	(1.8%)		88	0.2%		(1,002)	(1,138.6%)
Income before non-controlling interest		1,556	3.2%		441	0.9%		1,115	252.8%
Non-controlling interest		(33)	(0.1%)		(65)	(0.1%)		32	(49.2%)
Net income	$	1,523	3.1%	$	376	0.8%	$	1,147	305.1%

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Pro forma agent commissions were $26.5 million for the six months ended December 31, 2013, an increase of 2.6% from $25.9 million for the six months ended December 31, 2012. Pro forma agent commissions as a percentage of net transportation revenue decreased to 54.0% of net transportation revenue for the six months ended December 31, 2013, compared to 54.8% for the six months ended December 31, 2012.

Pro forma personnel costs were $10.2 million for the six months ended December 31, 2013, an increase of 3.3% from $9.8 million for the six months ended December 31, 2012. Pro forma personnel costs as a percentage of net transportation revenue decreased to 20.7% of net transportation revenue for the six months ended December 31, 2013, compared to 20.9% for the six months ended December 31, 2012.

Pro forma selling, general and administrative costs were $5.3 million for the six months ended December 31, 2013, a decrease of 11.0% from $6.0 million for the six months ended December 31, 2012. As a percentage of net transportation revenue, pro forma selling, general and administrative costs decreased to 10.9% for the six months ended December 31, 2013, from 12.7% for the six months ended December 31, 2012.

Pro forma depreciation and amortization costs were $2.6 million for the six months ended December 31, 2013, a decrease of 21.2% from $3.3 million for the six months ended December 31, 2012. As a percentage of net transportation revenue, pro forma depreciation and amortization costs decreased to 5.3% for the six months ended December 31, 2013, from 7.0% for the six months ended December 31, 2012.

Pro forma transition and lease termination costs were $1.5 million for the six months ended December 31, 2012. As a percentage of net transportation revenue, non-recurring transition and lease termination costs was 3.3% for the six months ended December 31, 2012. There were no such costs for the six months ended December 31, 2013.

Pro forma change in contingent consideration totaled income of $0.2 million for the six months ended December 31, 2013 compared to $0.3 million for the six months ended December 31, 2012. As a percentage of net transportation revenue, pro forma change in contingent consideration was 0.5% for the six months ended December 31, 2013.

Pro forma income from operations was $4.7 million for the six months ended December 31, 2013, compared to $0.9 million for the six months ended December 31, 2012.

Pro forma other expense was $2.3 million for the six months ended December 31, 2013, compared to $0.6 million for the six months ended December 31, 2012.

Pro forma net income was $1.5 million for the six months ended December 31, 2013, compared to $0.4 million for the six months ended December 31, 2012.

The following table provides a reconciliation for the six months ended December 31, 2013 and 2012 (pro forma and unaudited) of adjusted EBITDA to net income, the most directly comparable GAAP measure in accordance with SEC Regulation G (in thousands):

	Six months ended December 31,		Change	
	2013	2012	Amount	Percent
Net transportation revenue	$ 49,146	$ 47,165	$ 1,981	4.2%

Net income	$ 1,523	$ 376	$ 1,147	305.1%
Income tax expense (benefit)	914	(88)	1,002	(1,138.6%)
Net interest expense	1,098	1,157	(59)	(5.1%)
Depreciation and amortization	2,584	3,278	(694)	(21.2%)
EBITDA	$ 6,119	$ 4,723	$ 1,396	(29.6%)
Share-based compensation	288	229	59	25.8%
Change in contingent consideration	(213)	(275)	62	(22.5%)
Loss on write-off of debt discount	1,238	-	1,238	NM
Gain on litigation settlement, net	-	(368)	368	100.0%
Lease termination costs	-	1,439	(1,439)	(100.0%)
Acquisition related costs	141	39	102	261.5%
Adjusted EBITDA	$ 7,573	$ 5,787	$ 1,786	30.9%
Adjusted EBITDA as a % of net transportation revenue	15.4%	12.3%		3.1%

Liquidity and Capital Resources

Net cash provided by operating activities was $8.9 million for the six months ended December 31, 2013, compared to net cash provided of $3.4 million for the six months ended December 31, 2012. The change was principally driven by decreases in our accounts receivable and accounts payable, changes to our income tax deposits and payables, changes in our prepaid expenses, deposits, and other assets, and changes in non-cash operating expenses.

Net cash used in investing activities was $7.0 million for the six months ended December 31, 2013, compared to net cash used of $1.3 million for the six months ended December 31, 2012. Use of cash for the six months ended December 31, 2013 consisted of $7.0 million related to acquisitions and the purchase of less than $0.1 million in technology related equipment. Use of cash for the six months ended December 31, 2012 consisted of $0.6 million related to acquisitions, the purchase of $0.3 million in furniture and equipment, and payments made to the former shareholders of acquired operations totaling $0.4 million.

Net cash provided by financing activities was $8.9 million for the six months ended December 31, 2013, compared to net cash used of $0.5 million for the six months ended December 31, 2012. The cash provided by financing activities for the six months ended December 31, 2013 consisted primarily of repayments to the credit facility of $0.2 million, distributions to the non-controlling interest of less than $0.1 million, repayments of senior subordinated promissory notes of $10.0 million, and contingent consideration payments made to former shareholders of acquired operations of $0.3 million, offset by proceeds from the preferred stock offering of $19.3 million and proceeds and a tax benefit from the exercise of stock options of less than $0.1 million. Cash used in financing activities for the six months ended December 31, 2012 consisted primarily of net repayments to the credit facility of $0.4 million, and distributions to the non-controlling interest of $0.1 million.

We believe that our existing balances of cash and cash equivalents will be sufficient to satisfy our working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with our existing operations over the next 12 months.

Credit Facility

We have a $30.0 million senior credit facility (the Credit Facility) with Bank of America, N.A. (the Lender) that includes a $2.0 million sublimit to support letters of credit and matures on August 9, 2018. The Credit Facility is collateralized by accounts receivable and other assets of the Company and its subsidiaries. Advances under the Credit Facility are available to fund future acquisitions, capital expenditures, repurchase of our stock or for other corporate purposes. Borrowings under the Credit Facility accrue interest, at the Company s option, at the Lender s base prime rate minus 0.50% or LIBOR plus 2.25%. The rates can be subsequently adjusted based on our fixed charge coverage ratio at the Lender s base rate plus 0.0% to 0.50% or LIBOR plus 1.50% to 2.25%. The Credit Facility provides for advances of up to 85% of eligible domestic accounts receivable and, subject to certain sub-limits, 75% of eligible accrued but unbilled receivables and eligible foreign accounts receivable.

Under the terms of the Credit Facility, we are required to maintain a fixed charge coverage ratio of at least 1.1 to 1.0 in the event that availability is less than $5.0 million or an event of default was to occur.

DBA Notes Payable

In connection with the DBA acquisition, we issued promissory notes in the amount of $4.8 million payable to the former shareholders of DBA. The notes accrue interest at a rate of 6.5%, payable on a quarterly basis, and are payable annually on April 6 in three equal payments. In May 2011, we elected to satisfy $2.4 million of the notes through the issuance of our common stock. We have also repaid $98,725 of the notes early in connection with the termination of some former DBA employees who were also shareholders.

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On Time Notes Payable

In connection with the On Time acquisition, we issued promissory notes in the amount of $2.0 million payable to the former shareholders of On Time. The notes accrue interest at a rate of 6.0%, and such principal and interest is payable quarterly. The balance of the notes payable was repaid in January 2014.

Acquisitions

Our agreements with respect to the acquisitions of ISLA, ALBS, Marvir, IFS and On Time contain future consideration provisions that provide for the selling shareholder to receive additional consideration if specified operating objectives and financial results are achieved in future periods. For additional information regarding the acquisitions and potential earn-out payments, see Note 3 to our Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended June 30, 2013 and Note 3 of this Form 10-Q for recent acquisitions.

Off Balance Sheet Arrangements

As of December 31, 2013, 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 established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Item 4. Controls and Procedures

An evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act as of December 31, 2013, was carried out by our management under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based upon that evaluation, our CEO and CFO concluded that, as of December 31, 2013, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding disclosure.

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company and our operating subsidiaries are involved in claims, proceedings and litigation, including the following:

DBA Distribution Services, Inc. Bretta Santini Pollara v. Radiant Logistics, Inc., United States District Court, Central District of California, Case No. 12-344 GAF

In December 2012, we recovered an award in arbitration against the former shareholders of DBA. The award arose out of a prior arbitration action against the former shareholders of DBA in which we asserted, among others, certain claims for indemnification under the Agreement and Plan of Merger (the DBA Agreement) dated March 29, 2011, based upon breaches that we believe occurred under the DBA Agreement. These breaches included, among others, the breach of certain non-competition and non-solicitation covenants by Paul Pollara, one of the DBA selling shareholders, and Bretta Santini Pollara, a former DBA employee and wife of Mr. Pollara.

In a related matter, in December 2011, Ms. Pollara filed a claim for declaratory relief against us seeking an order stipulating that she is not bound by the non-compete covenant contained within the DBA Agreement signed by her husband, Mr. Pollara. On January 23, 2012, we filed a counterclaim against Ms. Pollara, her company Santini Productions, Daniel Reffner (a former employee of the Company now working for Ms. Pollara), and Oceanair, Inc.

(a company doing business with Santini Productions). Our counterclaim alleges claims for statutory and common law misappropriation of trade secrets, breach of duty of loyalty, and unfair competition, and seeks damages in excess of $500,000. Following certain procedural motions, two of our wholly-owned subsidiaries, DBA and RGL, intervened and filed a Second Amendment Counterclaim in the lawsuit. After further procedural matters were addressed, the claims that remain at issue are: (1) DBA s statutory trade secret misappropriation claim against Ms. Pollara, Santini Productions, and Oceanair; (2) RGL s and DBA s claims for interference with contractual relations against Oceanair; and (3) RGL s and DBA s claim for inducement to breach contract against Oceanair. A trial date is scheduled for April 2014.

Although the ultimate resolution of this dispute will not likely occur in the near-term, we believe that these breaches will not have any meaningful long-term adverse effect on our overall results of operations given our: (i) efforts to retain existing customers; (ii) restructuring of our Los Angeles operations; and (iii) efforts through a civil proceeding to recover damages and assert legal remedies against Ms. Pollara and her co-defendants who we believe breached certain non-competition and non-solicitation obligations to us. Nevertheless, near-term earnings could be negatively impacted if our efforts to retain existing customers are not successful, and as a result of any legal expenses incurred in connection with the matter.

In addition to the foregoing, we are involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Item 1A. Risk Factors

Set forth below is a restatement of our risk factors, many of which have materially changed since our annual report on Form 10-K, or were not included in such report.

Risks Related to our Business

We need to maintain our existing agent relationships and expand our agent network to increase revenues.

We sell our services through company-owned locations and through a network of independently-owned agent offices located throughout North America operating under our brands. We believe independent agent relationships will remain critical to our success for the foreseeable future. We have long-term contractual relationships with many of our agents. Although the terms of our agent 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 agent-funded reserves and indemnification obligations, and often include a personal guaranty of the station owner. Certain of our agent agreements are for defined terms, while others are subject to evergreen terms or contain automatic renewal provisions. In most situations, however, the agreements can be terminated by agents with prior notice, regardless of the stated term. While at times agency agreements technically expire, we endeavor to work with the agent to renew the agreement while continuing to operate pursuant to the most recent contract terms, based on historic and on-going course of dealings with the agent. 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 as those previously agreed upon, if at all. Thus, we are subject to the risk of agency terminations and the failure or refusal of certain of our agents to renew their existing agreements. While we have no customers or agency locations that separately account for more than 10% of our consolidated revenues, we do have a number of customers and agency locations with significant volume and stature, the loss of one or more of which could materially and negatively impact our ability to retain and service our customers. We will need to expand our existing relationships and enter into new relationships in order to increase our current and future market share and revenue. We cannot be certain that we will be able to maintain and expand our existing agent relationships or enter into new agent relationships, or that new or renewed agent relationships will be available on commercially reasonable terms. If we are unable to maintain and expand our existing agent relationships, renew existing agent relationships, or enter into new agent relationships, we may lose customers, customer introductions and co-marketing benefits, and our operating results may suffer significantly.

We are a non-asset based transportation and logistics services company. As a result, we depend on a variety of asset-based third party carriers, whose actions we do not directly control.

The quality and profitability of our services depend upon effective selection, management and discipline of third party carriers. Changes in the financial stability, operating capabilities and capacity of our third party carriers could affect us in unpredictable ways, including volatility in pricing and challenge our ability to remain profitable. 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.

If our independent agent offices fail to maintain adequate reserves against unpaid customer invoices, or if we are unable to offset against amounts payable by us to our independent agent offices 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 agency agreements with independently-owned agent offices operating under our various brands. Under these agreements, each individual agent office is responsible for some or all of the bad debt expense related to the underlying customers being serviced by the office. To support this arrangement, each office is required to maintain a security deposit with us that is recognized as a liability in our financial statements and used as a bad debt reserve for each location. We charge each individual office s bad debt reserve account for any accounts receivable aged beyond 90 days. The bad debt reserve account is continually replenished with a portion (typically 5%-10%) of such office s weekly commission check being directed to fund this account. However, the bad debt reserve account may carry a deficit balance when amounts charged to this reserve exceed amounts otherwise available in the bad debt reserve account. In these circumstances, deficit bad debt reserve accounts are recognized as a receivable in our financial statements. Further, under the agency agreement, the independent station owner is responsible for such deficits and the agency agreements provide that we may withhold all or a portion of future commission checks payable to the individual office in satisfaction of any deficit balance. As of December 31, 2013, a number of our agency offices have a deficit balance in their bad debt reserve account totaling approximately $674,000, with one agency office representing approximately $229,000 of that amount. We expect to replenish these funds through the future business operations of these offices. However, to the extent any of these offices were to cease operations or otherwise be unable to replenish these deficit accounts, we would be at risk of loss for any such amount. While there can be no assurance as to the amount that may be recovered in the future, based upon, among others: (i) our historic collection experience; (ii) the portion of the bad debt recoverable from the individual agency location responsible for the account; and (iii) the anticipated recovery likely from these customers; we do not believe its exposure to these customers will be material.

Failure to comply with obligations as an indirect 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 actively monitor our compliance and the compliance of our subsidiaries with such agency requirements to ensure that we, our subsidiaries, and our independent agents satisfactorily complete applicable security requirements and satisfy applicable qualifications and implement the required policies and procedures. We rely on our agent stations to comply with such requirements, however, and we do not actively monitor compliance by our independent agents until we are made aware that there is an inspection by such agencies or we are notified of a potential violation. These agencies generally require companies to fulfill these qualifications prior to and while operating as a freight forwarder. Failure to comply with such requirements, policies and procedures could result in penalties and fines. To date, a limited number of our independent agents have been out of compliance with the indirect air carrier regulations, resulting in small fines to us, which are then charged to the independent agents. While we are working with our independent agents to eliminate any additional violations, 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.

If we fail to enhance and integrate information technology systems or we fail to upgrade or replace our information technology systems to handle increased volumes and levels of complexity, meet the demands of our agents and customers and protect against disruptions of our operations, we may suffer a loss in our business.

Increasingly, we compete for business based upon the flexibility, sophistication and security of the information technology systems supporting our services. The failure of the hardware or software that supports our information technology systems, the loss of data contained in the systems, or the inability to access or interact with our web site or connect electronically, could significantly disrupt our operations, prevent clients from placing orders, or cause us to lose inventory items, orders or clients. If our information technology systems are unable to handle additional volume for our operations as our business and scope of services grow, our service levels and operating efficiency will decline. In addition, we expect our agents to continue to demand more sophisticated, fully integrated information technology systems from us as customers demand the same from their supply chain services providers. If we are unable to enhance, maintain and protect our information technology systems or we fail to upgrade or replace our information technology systems to handle increased volumes and levels of complexity, meet the demands of our agents and customers and protect against disruptions of our operations, our business may be adversely affected.

Our information technology systems are subject to risks we cannot control.

Our information technology systems are dependent upon third party communications providers, web browsers, telephone systems and other aspects of the internet infrastructure that have experienced significant system failures and electrical outages in the past. Our systems are susceptible to outages due to fire, floods, power loss, telecommunications failures, break-ins and similar events. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. The occurrence of any of these events could disrupt or damage our information technology systems and inhibit our internal operations, and our ability to provide services to our customers.

We are dependent on third party carriers to transport our client s cargo.

Because our freight forwarding and domestic ground transportation operations are dependent on commercial airfreight carriers and air charter operators, ocean freight carriers, major U.S. railroads, other transportation companies, draymen and longshoremen, changes in available cargo capacity and other changes affecting such carriers, as well as interruptions in service or work stoppages, may negatively impact our business.

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 clients cargo. Consequently, our ability to provide services for our clients could be adversely impacted by: 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 or increases in the cost of fuel, taxes and labor; 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.

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

As we continue to increase our revenue through the expansion of our network of independent agency locations, we must maintain an appropriate cost structure to maintain and increase our profitability. While we intend to increase our revenue by increasing the number and quality of our agency relationships, by strategic acquisitions, and by maintaining and expanding our gross profit margins by reducing transportation costs, our profitability will be driven by our ability to manage our agent commissions, personnel and general and administrative costs as a function of our net revenues. There can be no assurances that we will be able to increase revenues or maintain profitability.

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 clients 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, 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.

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.

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

The freight forwarding, 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 situations, soliciting 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 in our industry, we may not be able to compete successfully against larger companies in our industry.

There currently is a trend within our industry toward consolidation of the niche players into larger companies that are attempting to increase global operations through the acquisition of regional and local freight forwarders. 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 with global operations.

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

In general, we seek to limit by contract and/or International Conventions and laws our liability to our clients for loss or damage to their goods to $20 per kilogram (approximately $9.07 per pound) and $500 per carton or customary unit, for ocean freight shipments, depending on the International Convention. For truck/land based risks, there are a variety of limits ranging from a nominal amount to full value. However, 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 clients. 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 client s cargo to its ultimate destination, unless due to our own errors and omissions.

We have, from time to time, made payments to our clients 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 various claims and lawsuits that could result in significant expenditures.

The nature of our business exposes us to the potential for various claims and litigation related to labor and employment (including wage-and-hour litigation relating to independent contractor drivers, sales representatives, brokerage agents and other individuals), personal injury, property damage, business practices, environmental liability and other matters. Any material litigation could have a material adverse effect on our business, results of operations, financial condition or cash flows.

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 heavy, 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, Airgroup, Adcom, DBA and On Time 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 brands 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.

We operate with a significant amount of indebtedness, which is secured by our accounts receivable and other assets, subject to variable interest rates and contain 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 Lender, 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 our borrowings on our secured senior credit facilities 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;

limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds; and

violating covenants in these agreements could have a material adverse effect on our business, financial condition and results of operations; including substantially increasing our cost of borrowing and restricting our future operations, if not cured or waived. In addition, the lenders may be able to terminate any commitments they had made to supply us with further funds. Accordingly, we may not be able to fully repay our debt obligations, if some or all of our debt obligations are accelerated upon an event of default.

Our Credit Facility contains financial covenants that may limit current availability and impose ongoing operational limitations and risk of compliance.

We currently maintain a $30.0 million revolving Credit Facility, which includes a $2.0 million sublimit to support letters of credit. Under the terms of the Credit Facility, we are required to maintain a fixed charge coverage ratio of at least 1.1 to 1.0 in the event that availability is less than $5.0 million or an event of default was to occur.

Our compliance with the financial covenants of our Credit Facility is particularly important given the materiality of this facility to our day-to-day operations and overall acquisition strategy. Our debt capacity, subject to the requisite collateral at an advance rate of up to 85% of eligible domestic accounts receivable and, subject to certain sub-limits, 75% of eligible accrued but unbilled receivables and eligible foreign accounts receivables, is limited to a multiple of our consolidated EBITDA (as adjusted) as measured on a rolling four quarter basis. 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.

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Under our Credit Facility, 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) the amount available under the Credit Facility after the pro forma effect of such dividend is equal to the greater of 20% of the borrowing base under the Credit Facility or $5,000,000.

Dependence on key personnel.

For the foreseeable future, our success will depend largely on the continued services of our Chief Executive Officer, Bohn H. Crain, as well as certain of the other key executives and executives of our acquired businesses because of their collective industry knowledge, marketing skills and relationships with vendors, customers and agent office owners. We have secured employment arrangements with each of these individuals, which contain non-competition covenants that survive their actual term of employment. Nevertheless, 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. 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. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

Terrorist attacks and other acts of violence 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. Congress has mandated 100% security screening of air cargo traveling on passenger airlines effective July 31, 2010, and for ocean freight effective July 2012, which may increase costs associated with our air and freight forwarding operations. 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.

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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. 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;
- natural disasters and pandemics;
- changes in consumer attitudes regarding goods made in countries other than their own;
- changes in availability of credit;
- 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 will likely 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 anti-corruption 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.

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 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.

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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 intend to 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 requires that we obtain the Lender s consent 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 Facility places certain limits on the acquisitions we may make.

Under the terms of our Credit Facility, we may be required to obtain the Lender s consent prior to making any additional acquisitions.

We are permitted to make additional acquisitions without the consent of the Lender only if certain conditions are satisfied. These conditions include the following: (i) the absence of an event of default under the Credit Facility; (ii) the acquisition is 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 twelve month period most recently ended prior to such acquisitions; (iv) no debt or liens may be incurred, assumed or result from the acquisition, subject to limited exceptions; and (v) after giving effect for the funding of the acquisition, we must have undrawn availability under the Credit Facility of at least the greater of 20% of the borrowing base or $5,000,000.

In the event we are not able to satisfy the conditions of the Credit Facility in connection with a proposed acquisition, we must either forego the acquisition, obtain the Lender s consent, 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 intangibles, 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 intangibles, 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, when, in fact, we believe they may be increasing because we are growing the value of our intangible assets (e.g. customer relationships). Because of this discrepancy, we believe our EBITDA, a measure of financial performance that does not conform to generally accepted accounting principles, or 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 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.

Even though we have developed general acquisition guidelines, 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 target businesses that we believe will provide the best potential long-term financial return for our stockholders and 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.

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

Subject to the restrictions contained in the Credit Facility, following this offering 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 agency locations 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.

We attempt to mitigate these risks, in part, by providing that a portion of the ultimate purchase price for each acquired operation is structured as contingent consideration (i.e. an earn-out) based on the future financial performance of the business. To the extent that an acquired operation underperforms relative to anticipated earnings levels, this will result in the recognition of a non-cash gain on change in contingent consideration as reported in the most recent quarter ended December 31, 2013 in connection with the performance of the Company s ISLA, ALBS, Marvir and IFS operations. In the alternative, to the extent an acquired operation over performs anticipated earnings levels, we will recognize a non-cash loss on change in contingent consideration.

We recently acquired On Time Express, Inc. and are currently integrating its business into our operations.

On October 1, 2013, we purchased 100% of the capital stock of On Time, our largest acquisition to date, which will operate as our wholly-owned subsidiary. Payment of the full purchase price is contingent upon On Time achieving certain profitability targets, which it may not be able to achieve. There can be no assurance of On Time s ability following the acquisition to maintain and grow its revenues and operating margins in a manner consistent with its most recent operating results, our ability to integrate On Time s operations with our historic operations, or our ability to realize cost synergies through On Time s line-haul network, as well as the effect that the acquisition may have on On Time s existing customers and employees.

Historically, On Time s business has been dependent on a small number of customers.

A significant portion of On Time s revenues are derived from a relatively small number of customers. On Time does not have long-term contracts with such customers and the relationships could be terminated at any time. A significant loss of business from, or adverse performance by, any of On Time s large volume customers could have a material adverse effect on On Time s financial condition and results of operations. The failure to retain the business of these major customers may also have an adverse effect on On Time s financial results if we are unable to replace these customers or if new customers are not as profitable. On Time is also subject to credit risk associated with customer concentration. If one or more of its largest customers were to become bankrupt, insolvent or otherwise unable to pay for the services provided, On Time may incur significant write-offs of accounts receivable that may have a material adverse effect on its financial condition, results of operations or cash flows.

We are currently involved in a legal dispute emanating from recent acquisition of DBA.

In December 2012, we recovered an award in arbitration against the former shareholders of DBA. The award arose out of a prior arbitration action against the former shareholders of DBA in which we asserted, among others, certain claims for indemnification under the Agreement and Plan of Merger, or the DBA Agreement, dated March 29, 2011, based upon breaches that we believe occurred under the DBA Agreement. These breaches included, among others, the breach of certain non-competition and non-solicitation covenants by Paul Pollara, one of the DBA selling shareholders, and Bretta Santini Pollara, a former DBA employee and wife of Mr. Pollara.

In a related matter, in December 2011, Ms. Pollara filed a claim for declaratory relief against us seeking an order stipulating that she is not bound by the non-compete covenant contained within the DBA Agreement signed by her husband, Mr. Pollara. On January 23, 2012, we filed a counterclaim against Ms. Pollara, her company Santini Productions, Daniel Reffner (a former employee of the Company now working for Ms. Pollara), and Oceanair, Inc. (a company doing business with Santini Productions). Our counterclaim alleges claims for statutory and common law misappropriation of trade secrets, breach of duty of loyalty, and unfair competition, and seeks damages in excess of $500,000. Following certain procedural motions, two of our wholly-owned subsidiaries, DBA and RGL, intervened and filed a Second Amendment Counterclaim in the lawsuit. After further procedural matters were addressed, the claims that remain at issue are: (1) DBA s statutory trade secret misappropriation claim against Ms. Pollara, Santini Productions, and Oceanair; (2) RGL s and DBA s claims for interference with contractual relations against Oceanair; and (3) RGL s and DBA s claim for inducement to breach contract against Oceanair. The parties are awaiting a trial date.

Although the ultimate resolution of this dispute will not likely occur in the near-term, we believe that these breaches will not have any meaningful long-term adverse effect on our overall results of operations given our: (i) efforts to retain existing customers; (ii) restructuring of our Los Angeles operations; and (iii) efforts through a civil proceeding to recover damages and assert legal remedies against Ms. Pollara and her co-defendants who we believe breached certain non-competition and non-solicitation obligations to us. Nevertheless, near-term earnings could be negatively impacted if our efforts to retain existing customers are not successful, and as a result of any legal expenses incurred in connection with the matter.

Risks Related to our Common Stock

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.

Trading in our common stock has been limited and there is no significant trading market for our common stock.

Although our common stock is traded on the NYSE MKT, it may remain relatively illiquid, or thinly traded. Because of this limited liquidity, stockholders may be unable to sell their shares. 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 several acquisitions which often include the issuance of additional shares pursuant to the purchase agreements. Since June 30, 2013 we have issued 237,320 unregistered shares of our common stock over the past 12 months 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. The availability of those 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.

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

We currently have in place a universal shelf registration statement which allows us to publicly issue up to $75 million of additional securities, including debt, common stock, preferred stock, and warrants. The shelf registration is intended to provide greater flexibility to us in financing growth or changing our capital structure.

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 February 11, 2014, we had 33,669,581 outstanding shares of common stock. We may in the future issue up to 5,965,710 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 is further limited by the terms of our Credit Facility. Accordingly, investors seeking dividend income should not purchase our stock.

From time to time, we publish certain forward-looking information regarding our future anticipated performance, which information may be materially different than our actual future results.

From time to time, we publish certain forward-looking information regarding our future anticipated performance, including guidance with respect to our estimated future revenues and profits. This forward-looking information is not a guaranty and is 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 information. While it is impossible to identify all of the factors that may cause our actual operating performance, events, trends or plans to differ materially from those set forth in such forward-looking information, such factors include the inherent risks associated with our recent and future acquisitions, our operations, management and other outside competitive and economic influences on our business. Important factors with regard to our recent acquisitions that could cause our actual results to differ from our expectations, include but are not limited to: our ability to maintain the future operations of our recently acquired businesses in a manner consistent with their past practices; our recently acquired businesses will be able to maintain and grow their revenues and operating margins in a manner consistent with their most recent results of operations; our ability to integrate the operations of such businesses with our existing operations, as well as our ability to realize expected financial and operational cost and revenue synergies through such integration; our reliance on the acquired management teams and the continued customer relationships provided by the acquired businesses; the effect that these acquisitions will have on their existing customers and employees; the effect that the acquisitions will have on our historic and existing network of locations; and any material adverse change in the composition of their customers. Important additional factors that could cause our actual results to differ from our expectations include, but are not limited to, our ability to: use our Bellevue, Washington operations as a platform upon which we can build a profitable global transportation and supply chain management company; retain and build upon the relationships we have with our agency offices; continue the development of our back office infrastructure and transportation and accounting systems in a manner sufficient to service our expanding revenues and network of operating locations; maintain and enhance the future operations of our company owned operating locations; continue growing our business and maintain historical or increased gross profit margins; locate suitable acquisition opportunities; secure the financing necessary to complete any acquisition opportunities we locate; assess and respond to competitive practices in the industries in which we compete; mitigate, to the best extent possible, our dependence on current management and certain of our larger agency relationships; assess and respond to the impact of current and future laws and governmental regulations affecting the transportation industry in general and our operations in particular; and assess and respond to such other factors that may be identified from time to time in our SEC filings and other public announcements.

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Ineffective internal controls could impact our business and operating results.

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 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock (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 shareholders 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 Credit Facility, 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) the amount available under the Credit Facility after the pro forma effect of such dividend is equal to the greater of 20% of the borrowing base under the Credit Facility or $5,000,000.

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 December 31, 2013, we and our subsidiaries had outstanding indebtedness and liabilities of approximately $72.8 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 shareholders.

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.

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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 6. Exhibits

Exhibit No.	Exhibit	Method of Filing
2.1	Stock Purchase Agreement by and between Radiant Logistics, Inc., Radiant Transportation Services, Inc., On Time Express, Inc., and Bart and Kelly Wilson the shareholders of On Time Express, Inc. (incorporated by reference to Exhibit 2.1 of the Company s current report on Form 8-K, filed with the SEC on October 4, 2013)	Form 8-K filed on October 4, 2013
3.1	Certificate of Designations, Preferences and Rights of 9.75% Cumulative Redeemable Perpetual Preferred Stock. (incorporated by reference to Exhibit 3.6 of the Company s registration statement on Form S-1, filed with the SEC on October 29, 2013)	Form S-1 filed on October 29, 2013
10.1	First Amendment to Loan and Security Agreement, dated as of December 9, 2013, by and among Bank of America, N.A., the Company and its subsidiaries (incorporated by reference to Exhibit 10.1 of the Company s current report on Form 8-K, filed with the SEC on December 10, 2013)	Form 8-K filed on December 10, 2013
10.2	Waiver by Caltius of Repayment Charge (incorporated by reference to Exhibit 10.2 of the Company s current report on Form 8-K, filed with the SEC on December 10, 2013)	Form 8-K filed on December 10, 2013
10.3	Waiver by Caltius of Registration Rights (incorporated by reference to Exhibit 10.3 of the Company s current report on Form 8-K, filed with the SEC on December 10, 2013)	Form 8-K filed on December 10, 2013
31.1	Certification by Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith

31.2	Certification by Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification by the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition	Filed herewith
101.LAB	XBRL Taxonomy Extension Label	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation	Filed herewith

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SIGNATURES

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

	RADIANT LOGISTICS, INC.
Date: February 13, 2014	/s/ Bohn H. Crain Bohn H. Crain Chief Executive Officer (Principal Executive Officer)
Date: February 13, 2014	/s/ Todd E. Macomber Todd E. Macomber Senior Vice President and Chief Financial Officer (Principal Accounting Officer)

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