RADIANT LOGISTICS, INC
Form 10-Q
May 16, 2011

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: March 31, 2011

o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to _____________

Commission File Number: 000-50283

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 Exchange Act 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 o

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 o No o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (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 o No x

There were 30,514,759 issued and outstanding shares of the registrant's common stock, par value $.001 per share, as of May 12, 2011.

RADIANT LOGISTICS, INC.
TABLE OF CONTENTS

RADIANT LOGISTICS, INC.
Condensed Consolidated Balance Sheets
(unaudited)

	MARCH 31, 2011	JUNE 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$60,708	$682,108
Accounts receivable, net of allowance of $489,156 and $626,401, respectively	23,360,832	21,442,023
Current portion of employee loan receivable	16,095	13,100
Current portion of station and other receivables	95,398	195,289
Prepaid expenses and other current assets	916,325	1,104,211
Deferred tax asset	351,345	402,428
Total current assets	24,800,703	23,839,159
Furniture and equipment, net	865,783	881,416
Acquired intangibles, net	1,359,089	2,019,757
Goodwill	1,011,310	982,788
Employee loan receivable, net of current portion	40,550	38,000
Station and other receivables, net of current portion	126,627	151,160
Investment in real estate	40,000	40,000
Deposits and other assets	205,652	153,116
Deferred tax asset – long term	188,202	106,023
Total long term assets	2,971,430	3,490,844
Total assets	$28,637,916	$28,211,419
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued transportation costs	$17,148,507	$16,004,814
Commissions payable	2,306,229	2,119,503
Other accrued costs	761,926	538,854
Income taxes payable	90,980	76,309
Due to former Adcom shareholder	33,708	603,205
Other current liabilities	75,000	-
Total current liabilities	20,416,350	19,342,685
Long term debt	4,611,011	7,641,021
Other long term liabilities	659,084	439,905
Total long term liabilities	5,270,095	8,080,926
Total liabilities	25,686,445	27,423,611

RADIANT LOGISTICS, INC.
Condensed Consolidated Balance Sheets (continued)
(unaudited)

	MARCH 31, 2011	JUNE 30, 2010
Stockholders' equity:		
Radiant Logistics, Inc. stockholders' equity:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $0.001 par value, 50,000,000 shares authorized, 30,514,759 and 31,273,461 shares issued and outstanding, respectively	16,889	16,157
Additional paid-in capital	8,461,581	8,108,239
Treasury stock, at cost, 4,919,239 and 3,428,499 shares, respectively	(1,407,455)	(936,190)
Retained deficit	(4,197,019)	(6,466,946)
Total Radiant Logistics, Inc. stockholders' equity	2,873,996	721,260
Non-controlling interest	77,475	66,548
Total stockholders' equity	2,951,471	787,808
Total liabilities and stockholders' equity	$28,637,916	$28,211,419

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

RADIANT LOGISTICS, INC.
Condensed Consolidated Statements of Operations
(unaudited)

	THREE MONTHS ENDED MARCH 31, 2011	THREE MONTHS ENDED MARCH 31, 2010	NINE MONTHS ENDED MARCH 31, 2011	NINE MONTHS ENDED MARCH 31, 2010
Revenue	$42,030,290	$32,863,624	$132,888,167	$106,007,803
Cost of transportation	29,005,131	22,522,506	91,562,255	73,613,523
Net revenues	13,025,159	10,341,118	41,325,912	32,394,280
Agent commissions	8,847,029	7,104,883	28,529,680	22,398,448
Personnel costs	1,576,766	1,448,374	4,695,194	4,402,236
Selling, general and administrative expenses	1,099,705	551,139	3,303,122	2,800,572
Depreciation and amortization	253,657	386,145	905,723	1,181,862
Total operating expenses	11,777,157	9,490,541	37,433,719	30,783,118
Income from operations	1,248,002	850,577	3,892,193	1,611,162
Other income (expense):				
Interest income	4,605	35,130	16,044	38,403
Interest expense	(32,632)	(56,404)	(117,053)	(142,195)
Other	49,218	155,406	138,911	254,171
Gain (loss) on litigation settlement	-	-	(150,000)	354,670
Total other income (expense)	21,191	134,132	(112,098)	505,049
Income before income tax expense	1,269,193	984,709	3,780,095	2,116,211
Income tax expense	(472,379)	(511,050)	(1,391,241)	(918,715)
Net income	796,814	473,659	2,388,854	1,197,496
Less: Net income attributable to non-controlling interest	(26,095)	(24,551)	(118,927)	(83,229)
Net income attributable to Radiant Logistics, Inc.	$770,719	$449,108	$2,269,927	$1,114,267
Net income per common share – basic	$.03	$.01	$.07	$.03
Net income per common share – diluted	$.02	$.01	$.07	$.03
Weighted average shares outstanding:				
Basic shares	30,514,759	32,391,859	30,368,446	32,767,213
Diluted shares	32,719,945	32,533,794	31,543,046	32,937,774

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

5

RADIANT LOGISTICS, INC.
Condensed Consolidated Statement of Stockholders' Equity
(unaudited)

	RADIANT LOGISTICS, INC. STOCKHOLDERS						
	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	RETAINED DEFICIT	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
Balance at June 30, 2010	31,273,461	$ 16,157	$ 8,108,239	$ (936,190)	$ (6,466,946)	$ 66,548	$ 787,808
Repurchase of common stock	(1,490,740)	-	-	(471,265)	-	-	(471,265)
Issuance of common stock to the former Adcom shareholder per earn-out agreement at $0.35 per share	732,038	732	257,778	-	-	-	258,510
Share-based compensation	-	-	95,564	-	-	-	95,564
Distribution to non-controlling interest	-	-	-	-	-	(108,000)	(108,000)
Net income for the nine months ended March 31, 2011	-	-	-	-	2,269,927	118,927	2,388,854
Balance at March 31, 2011	30,514,759	$ 16,889	$ 8,461,581	$ (1,407,455)	$ (4,197,019)	$ 77,475	$ 2,951,471

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

RADIANT LOGISTICS, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	NINE MONTHS ENDED MARCH 31,	
	2011	2010
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net income	$2,269,927	$1,114,267
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
non-cash compensation expense (stock options)	95,564	163,842
amortization of intangibles	660,668	875,632
deferred income tax benefit	(31,096)	(429,104)
depreciation and leasehold amortization	245,055	306,230
change in non-controlling interest	118,927	83,229
loss (gain) on litigation settlement	150,000	(354,670)
loss on disposal of assets	11,931	-
recovery of doubtful accounts	(137,245)	(11,630)
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
accounts receivable	(1,781,564)	(1,111,488)
employee loan receivable	(5,545)	43,100
station and other receivables	124,424	(393,945)
prepaid expenses and other assets	135,350	(100,055)
checks issued in excess of funds	-	44,148
accounts payable and accrued transportation costs	1,143,693	(195,800)
commissions payable	186,726	99,513
other accrued costs	223,072	(148,412)
other long-term liabilities	144,179	23,544
income taxes payable	14,671	276,612
income tax deposit	-	535,074
due to former Adcom shareholder	-	(20,834)
Net cash provided by operating activities	3,568,737	799,253
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of furniture and equipment	(241,353)	(46,102)
Payments made to former Adcom shareholder	(339,509)	(686,362)
Net cash used for investing activities	(580,862)	(732,464)
CASH FLOWS USED FOR FINANCING ACTIVITIES:		
Repayments to credit facility, net of credit fees	(3,030,010)	(420,448)
Distributions to non-controlling interest	(108,000)	(30,000)
Purchases of treasury stock	(471,265)	(506,913)
Net cash used for financing activities	(3,609,275)	(957,361)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(621,400)	(890,572)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	682,108	890,572
CASH AND CASH EQUIVALENTS, END OF PERIOD	$60,708	$-
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$1,376,430	$588,393
Interest paid	$84,232	$117,349

7

RADIANT LOGISTICS, INC.
Condensed Consolidated Statements of Cash Flows (continued)
(unaudited)

Supplemental disclosure of non-cash investing and financing activities:

In September 2009, the Company finalized its purchase price allocation relating to the acquisition of Adcom, resulting in an increase of net assets acquired by $151,550 due to increased transaction costs and other adjustments to the fair value of the acquired assets. The effect of this transaction was an increase to goodwill of $157,291 with offsetting changes to other balance sheet amounts as follows: a decrease to the allowance for doubtful accounts of $72,280, an increase in other receivables of $11,831, an increase in accounts payable of $4,275, an increase of other accrued costs of $279,488, and a decrease in the amount due to the former Adcom shareholder of $42,361.

In September 2010, the Company revised its estimate of the "Tier-One Earn-Out Payment" (see Note 4) relating to the acquisition of Adcom for the year ended June 30, 2010, resulting in an increase to goodwill and the amount due to the former Adcom shareholder of $28,522.

In December 2010, the Company issued 732,038 shares of common stock at a fair value of $0.35 per share in satisfaction of the $258,510 earn-out payment for the year ended June 30, 2010, resulting in a decrease to the amount due to former Adcom shareholder, an increase in common stock issuable of $732 and an increase in additional paid-in capital of $257,778.

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") was incorporated in the State of Delaware on March 15, 2001. The Company is executing a strategy to build a global transportation and supply chain management company through organic growth and the strategic acquisition of best-of-breed non-asset based transportation and logistics providers to offer its customers domestic and international freight forwarding and an expanding array of value added supply chain management services, including order fulfillment, inventory management and warehousing.

The Company completed the first step in its business strategy through the acquisition of Airgroup Corporation ("Airgroup") effective as of January 1, 2006. Airgroup is a Bellevue, Washington based non-asset based logistics company providing domestic and international freight forwarding services through a network which includes a combination of company-owned and exclusive agent offices across North America. Airgroup has a diversified account base including manufacturers, distributors and retailers using a network of independent carriers and international agents positioned strategically around the world.

The Company continues to identify a number of additional companies as suitable acquisition candidates and has completed three material acquisitions since its acquisition of Airgroup. In November 2007, the Company acquired Automotive Services Group in Detroit, Michigan to service the automotive industry. In September 2008, the Company acquired Adcom Express, Inc. d/b/a Adcom Worldwide ("Adcom"), adding an additional 30 locations across North America and augmenting the Company's overall domestic and international freight forwarding capabilities. In April of 2011, the Company acquired Distribution Services, Inc., d/b/a Distribution by Air ("DBA"), adding an additional 25 locations across North America further expanding its fiscal network and service capabilities (see Note 14).

In connection with the acquisition of Adcom, the Company changed the name of Airgroup Corporation to Radiant Global Logistics, Inc. ("RGL") in order to better position its centralized back-office operations to support its multi-brand strategy. RGL, through the Airgroup, Adcom and DBA network brands, has a diversified account base including manufacturers, distributors and retailers, using a network of independent carriers and international agents positioned strategically around the world.

The Company's growth strategy will continue to focus on both organic growth and acquisitions. From an organic perspective, the Company will focus on strengthening existing and expanding new customer relationships. One of the drivers of the Company's organic growth will be retaining existing, and securing new exclusive agency locations. Since the Company's acquisition of Airgroup in January 2006, the Company has focused its efforts on the build-out of its network of exclusive agency offices, as well as enhancing its back-office infrastructure and transportation and accounting systems. The Company will continue to search for targets that fit within its acquisition criteria. The Company's ability to secure additional financing will rely upon the sale of debt or equity securities, and the development of an active trading market for its securities.

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, 2010.

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

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as well as a single variable interest entity, Radiant Logistics Partners LLC ("RLP"), which is 40% owned by Radiant Global Logistics (f/k/a Airgroup Corporation), a wholly-owned subsidiary of the Company, and whose accounts are included in the 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 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, accounting for the issuance of shares and share based compensation, the assessment of the recoverability of long-lived assets and goodwill, the establishment of an allowance for doubtful accounts and the valuation allowance for deferred tax assets. 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, income taxes payable, other current liabilities and amounts due to former Adcom shareholder approximate the carrying values dues to the relatively short maturities of these instruments. The fair value of the Company's long-term debt, if recalculated based on current interest rates, would not differ significantly from the recorded amount.

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 which are not securing any corporate obligations.

e) Concentrations

The Company maintains its cash in bank deposit accounts, which, 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 receivable, historical experience and knowledge of specific customers.

On occasion the Company extends credit to agent-based stations.

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 double declining balance method. 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

The Company performs an annual impairment test for goodwill. The first step of the impairment test requires that the Company determine the fair value of its reporting unit, and compare the fair value to the reporting unit's carrying amount. The Company has only one reporting unit. To the extent the 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. The Company performs its annual impairment test effective as of April 1 of each year, unless events or circumstances indicate impairment may have occurred before that time. As of March 31, 2011, 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. See Notes 4 and 5.

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 March 31, 2011.

j) 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. As of March 31, 2011, minimum future lease payments under these non-cancelable operating leases for the next five fiscal years ending June 30 and thereafter are as follows:

2011 (remaining portion)	$60,220
2012	224,510
2013	223,548
2014	233,312
2015	239,889
Thereafter	1,639,454
Total minimum lease payments	$2,620,933

Included in these future commitments are upcoming rental lease payments pertaining to the Company's new corporate office location. The initial term of this lease commenced on June 1, 2010, and is set to expire on May 31, 2021. Rent for the first 12-month period has been abated by the landlord and lease payments will begin on June 1, 2011.

Rent expense amounted to $472,711 and $377,051 for the nine months ended March 31, 2011 and 2010.

k) Income Taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reflected in the consolidated financial statements. Deferred tax assets and liabilities are determined based on the differences between the book values and the tax bases of particular assets and liabilities. Deferred tax assets and liabilities are measured using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset the net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

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.

l) 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 air and ocean freight 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 ("HAWB") or a House Ocean Bill of Lading ("HOBL") are recognized at the time the freight is tendered to the direct carrier at origin. Costs related to the shipments are also recognized at this same time based upon anticipated margins, contractual arrangements with direct carriers, and other known factors. The estimates are routinely monitored and compared to actual invoiced costs. The estimates are adjusted as deemed necessary by 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 generally accepted accounting principles ("GAAP") which do not recognize revenue until a proof of delivery is received or which recognize 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.

m) Share-Based Compensation

The Company accounts for share-based compensation under the fair value recognition provisions such that compensation cost is measured at the grant date based on the value of the award and is expensed ratably over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating the percentage of awards which 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.

For the three months ended March 31, 2011, the Company recorded share based compensation expense of $14,794, which, net of income taxes, resulted in a $9,172 reduction of net income. For the three months ended March 31, 2010, the Company recorded share based compensation expense of $54,939, which, net of income taxes, resulted in a $34,062 reduction of net income.

For the nine months ended March 31, 2011, the Company recorded share based compensation expense of $95,564, which, net of income taxes, resulted in a $59,250 reduction of net income. For the nine months ended March 31, 2010, the Company recorded share based compensation expense of $163,842, which, net of income taxes, resulted in a $101,582 reduction of net income.

n) 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 March 31, 2011, the weighted average outstanding number of potentially dilutive common shares totaled 32,719,945, including options to purchase 3,758,282 shares of common stock at March 31, 2011, of which 110,503 were excluded as their effect would have been anti-dilutive. For the three months ended March 31, 2010, the weighted average outstanding number of potentially dilutive common shares totaled 32,533,794, including options to purchase 3,620,000 shares of common stock at March 31, 2010, of which 3,060,000 were excluded as their effect would have been anti-dilutive.

For the nine months ended March 31, 2011, the weighted average outstanding number of potentially dilutive common shares totaled 31,543,046. For the nine months ended March 31, 2010, the weighted average outstanding number of potentially dilutive common shares totaled 32,937,774, including options to purchase 3,620,000 shares at March 31, 2010, of which 3,060,000 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 March 31,		Nine months ended March 31,	
	2011	2010	2011	2010
Weighted average basic shares outstanding	30,514,759	32,391,859	30,368,446	32,767,213
Options	2,205,186	141,935	1,174,600	170,561
Weighted average dilutive shares outstanding	32,719,945	32,533,794	31,543,046	32,937,774

o) 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.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements. The guidance in ASU 2010-06 provides amendments to literature on fair value measurements and disclosures currently within the Accounting Standards Codification ("ASC") by clarifying certain existing disclosures and requiring new disclosures for the various classes of fair value measurements. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's financial position or results of operations.

In December 2010, the FASB issued ASU No. 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations. The guidance in ASU 2010-29 provides amendments to clarify the acquisition date which should be used for reporting the pro forma financial information disclosures in Topic 805 when comparative financial statements are presented. The amendments also improve the usefulness of the pro forma revenue and earnings disclosures by requiring a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination(s). The amendments in this update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial position or results of operations.

NOTE 4 – ACQUISITION OF ADCOM EXPRESS, INC.

On September 5, 2008, the Company entered into and closed a Stock Purchase Agreement (the "Agreement") pursuant to which it acquired 100% of the issued and outstanding stock of Adcom Express, Inc., d/b/a Adcom Worldwide ("Adcom"), a privately-held Minnesota corporation. Founded in 1978, Adcom provides a full range of domestic and international freight forwarding solutions to a diversified account base including manufacturers, distributors and retailers through a combination of three company-owned and twenty-seven independent agency locations across North America.

Contingent consideration associated with the acquisition of Adcom included "Tier-1 Earn-Out Payments" of up to $700,000 annually, covering the four year earn-out period through June 30, 2012, based upon Adcom achieving certain levels of "Gross Profit Contribution" (as defined in the Agreement), payable 50% in cash and 50% in shares of Company common stock (valued at delivery date); and a "Tier-2 Earn-Out Payment" of up to $2,000,000, equal to 20% of the amount by which the Adcom cumulative Gross Profit Contribution exceeds $16,560,000 during the four year earn-out period. The Tier-1 Earn-Out Payments and certain amounts of the Tier-2 Payments may be subject to acceleration upon occurrence of a "Corporate Transaction" (as defined in the Agreement), which includes a sale of Adcom or the Company, or certain changes in corporate control.

Mr. Friedman, the sole shareholder of Adcom, earned $517,019 in Tier-1 earn-out payment for the year ended June 30, 2010. This amount was paid 50% in cash and 50% in stock to Mr. Friedman during the quarter ended December 31, 2010.

As of March 31, 2011, we owe Mr. Friedman $33,708 in cash.

Assuming minimum targeted earnings levels are achieved, the following table summarizes our contingent base earn-out payments related to the acquisition of Adcom, for the fiscal years indicated based on achieving Gross Profit Contributions (in thousands):

Estimated payment anticipated for fiscal year(1):	2012	2013
Earn-out period:	7/1/2010 –6/30/2011	7/1/2011 – 6/30/2012
Earn-out payments:		
Cash	$350	$350
Equity	350	350
Total potential earn-out payments	$700	$700
Total gross margin targets	$4,320	$4,320

(1) Earn-out payments are paid October 1 following each fiscal year end in a combination of cash and Company common stock.

NOTE 5 – ACQUIRED INTANGIBLE ASSETS

The table below reflects acquired intangible assets related to the acquisitions of Airgroup, Automotive Services Group and Adcom:

	As of March 31, 2011		As of June 30, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Customer related	$5,752,000	$ 4,429,640	$5,752,000	$ 3,796,340
Covenants not to compete	190,000	153,271	190,000	125,903
Total	$5,942,000	$ 4,582,911	$5,942,000	$ 3,922,243
Aggregate amortization expense:				
For nine months ended March 31, 2011		$ 660,668		
For nine months ended March 31, 2010		$ 875,632		
Aggregate amortization expense for the years ending June 30:				
2011 – For the remainder of the year		$ 167,093		
2012		769,772		
2013		374,344		
2014		47,880		
Total		$ 1,359,089		

NOTE 6 – VARIABLE INTEREST ENTITY

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 is 40% owned by Radiant Global Logistics ("RGL"), qualifies as a variable interest entity and is included in the Company’s condensed consolidated financial statements (see Note 7). RLP commenced operations in February 2007. Non-controlling interest recorded as an expense on the statements of operations was $118,927 and $83,229 for the nine months ended March 31, 2011 and 2010, respectively.

The following table summarizes the balance sheets of RLP:

	March 31, 2011	June 30, 2010
ASSETS		
Accounts receivable	$ 1,406	$ 15,910
Accounts receivable – Radiant Logistics	140,039	110,336
Prepaid expenses and other current assets	1,608	950
Total assets	$ 143,053	$ 127,196
LIABILITIES AND PARTNERS' CAPITAL		
Other accrued costs	$ 13,929	$ 16,284
Total liabilities	$ 13,929	$ 16,284
Partners' capital	129,124	110,912
Total liabilities and partners' capital	$ 143,053	$ 127,196

NOTE 7 – RELATED PARTY

RLP is owned 40% by RGL and 60% by Radiant Capital Partners, LLC ("RCP"), a company for which the Chief Executive Officer of the Company is the sole member. RLP is a certified minority business enterprise which 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. RGL currently provides administrative services necessary to operate RLP while RLP continues to develop. As the RLP operations mature, the Company will evaluate and approve all related service agreements between the Company and RLP, including the scope of the services to be provided by the Company to RLP and the fees payable to the Company by RLP, in accordance with the Company's corporate governance principles and applicable Delaware corporation law. This process may include seeking the opinion of a qualified third party concerning the fairness of any such agreement or the approval of the Company's shareholders. RLP is consolidated in the financial statements of the Company (see Note 6).

NOTE 8 – FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

	March 31, 2011	June 30, 2010
Vehicles	$ 33,788	$ 33,788
Communication equipment	31,359	31,359
Office equipment	311,191	311,191
Furniture and fixtures	109,409	149,504
Computer equipment	677,255	606,405
Computer software	1,045,550	884,352
Leasehold improvements	448,502	439,197
	2,657,054	2,455,796
Less: Accumulated depreciation and amortization	(1,791,271)	(1,574,380)

Furniture and equipment – net	$	865,783	$	881,416

Depreciation and amortization expense related to furniture and equipment was $245,055 and $306,230 for the nine months ended March 31, 2011 and 2010, respectively.

NOTE 9 – LONG TERM DEBT

In March 2010, the Company’s $15.0 million revolving credit facility, including a $0.5 million sublimit to support letters of credit (collectively, the "Facility"), was increased to $20.0 million with a maturity date of March 31, 2012. Advances under the Facility are available to fund future acquisitions, capital expenditures or for other corporate purposes, including the repurchase of the Company’s stock. Borrowings under the facility accrue interest, at the Company’s option, at the bank’s prime rate minus 0.75% to plus 0.50% or LIBOR plus 1.75% to 3.00%, and can be adjusted up or down during the term of the Facility based on the Company’s performance relative to certain financial covenants. The Facility is collateralized by accounts receivable and other assets of the Company and its subsidiaries and provides for advances of up to 80% of eligible domestic accounts receivable and for advances of up to 60% of eligible foreign accounts receivable.

The terms of the Facility are subject to certain financial and operational covenants which may limit the amount otherwise available under the Facility. The first covenant limits funded debt to a multiple of 4.00 times the Company's consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA"), as adjusted, measured on a rolling four quarter basis. The second financial covenant requires the Company to maintain a basic fixed charge coverage ratio of at least 1.1 to 1.0. The third financial covenant is a minimum profitability standard which requires the Company not to incur a net loss before taxes, amortization of acquired intangibles and extraordinary items in any two consecutive quarterly accounting periods.

Under the terms of the Facility, the Company is permitted to make additional acquisitions without the lender's consent only if certain conditions are satisfied. The conditions imposed by the Facility include the following: (i) the absence of an event of default under the Facility; (ii) the company to be acquired must be in the transportation and logistics industry; (iii) the purchase price to be paid must be consistent with the Company's historical business and acquisition model; (iv) after giving effect for the funding of the acquisition, the Company must have undrawn availability of at least $1.0 million under the Facility; (v) the lender must be reasonably satisfied with projected financial statements the Company provides covering a 12 month period following the acquisition; (vi) the acquisition documents must be provided to the lender and must be consistent with the description of the transaction provided to the lender; and (vii) the number of permitted acquisitions is limited to three per calendar year and shall not exceed $7.5 million in aggregate purchase price financed by funded debt. In the event that the Company is not able to satisfy the conditions of the Facility in connection with a proposed acquisition, it must either forego the acquisition, obtain the lender's consent, or retire the Facility. This may limit or slow the Company's ability to achieve the critical mass it may need to achieve its strategic objectives.

The co-borrowers of the Facility include Radiant Logistics, Inc., RGL (f/k/a Airgroup Corporation), Radiant Logistics Global Services, Inc. ("RLGS"), RLP, and Adcom Express, Inc. (d/b/a Adcom Worldwide). As a co-borrower under the Facility, the accounts receivable of RLP are eligible for inclusion within the overall borrowing base of the Company and all borrowers will be responsible for repayment of the debt associated with advances under the Facility, including those advanced to RLP. At March 31, 2011, the Company was in compliance with all of its covenants.

As of March 31, 2011, the Company had $3,103,311 in advances under the Facility and $1,507,700 in outstanding checks, which had not yet been presented to the bank for payment. The outstanding checks have been reclassified from cash, as they will be advanced from, or against, the Facility when presented for payment to the bank. This results in total long term debt of $4,611,011.

At March 31, 2011, based on available collateral and $205,000 in outstanding letter of credit commitments, there was $8,249,039 available for borrowing under the Facility based on advances outstanding.

NOTE 10 – PROVISION FOR INCOME TAXES

The acquisitions of Airgroup and Adcom resulted in $2,148,280 of long term deferred tax liability resulting from certain amortizable intangibles identified during the Company's purchase price allocation which are not deductible for tax purposes. The long term deferred tax liability will be reduced as the non-deductible amortization of the intangibles is recognized. See Note 5.

For the three months ended March 31, 2011, the Company recognized net income tax expense of $472,379 which consisted of current income tax expense of $504,468 and deferred income tax benefit of $32,089. For the three months ended March 31, 2010, the Company recognized net income tax expense of $511,050 which consisted of current income tax expense of $678,622, and deferred income tax benefit of $167,572.

17

For the nine months ended March 31, 2011, the Company recognized net income tax expense of $1,391,241 which consisted of current income tax expense of $1,422,337 and deferred income tax benefit of $31,096. For the nine months ended March 31, 2010, the Company recognized net income tax expense of $918,715 which consisted of current income tax expense of $1,347,819, and deferred income tax benefit of $429,104.

Tax years which remain subject to examination by state authorities are the years ended June 30, 2008, 2009 and 2010. Tax years which remain subject to examination by Federal authorities are the years ended June 30, 2008, 2009 and 2010.

NOTE 11 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, par value at $.001 per share. As of March 31, 2011 and 2010, none of the shares were issued or outstanding.

Common Stock Repurchase Program

During 2009, the Company's Board of Directors approved a stock repurchase program, pursuant to which up to 5,000,000 shares of its common stock could be repurchased under the program through December 31, 2010. During the nine months ended March 31, 2011, the Company purchased 1,490,740 shares of its common stock under this repurchase program at a cost of $471,265.

NOTE 12 – SHARE-BASED COMPENSATION

The Company issued options to employees to purchase 27,779 shares of common stock at an exercise price of $0.60 price per share in November 2010, and options to purchase 110,503 shares of common stock at an exercise price of $1.30 price per share in March 2011. The options vest 20% per year over a five-year period.

Share based compensation costs recognized during the nine months ended March 31, 2011, include compensation costs based on the fair value estimated on the grant-date for all share based payments granted to date. No options have been exercised as of March 31, 2011.

During the nine months ended March 31, 2011, the weighted average fair value per share of employee options granted in November 2010 was $0.29 and the weighted average fair value per share of employee options granted in March 2011 was $0.74. 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:

	November 2010	March 2011
Risk-Free Interest Rate	0.22%	0.57%
Expected Term	6.5 years	6.5 years
Expected Volatility	61.2%	60.4%
Expected Dividend Yield	0.00%	0.00%
Forfeiture Rate	0.00%	0.00%

During the nine months ended March 31, 2011 and 2010, the Company recognized stock option compensation expense of $95,564 and $163,842, respectively. The following table summarizes activity under the plan for the nine months ended March 31, 2011.

18

	Number of Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life - Years	Aggregate Intrinsic Value	
Outstanding at June 30, 2010	3,620,000	$	0.503			
Granted	138,282		1.159			
Exercised	-		-			
Forfeited	-		-			
Expired	-		-			
Outstanding at March 31, 2011	3,758,282	$	0.528	5.69 years	$	5,721,357
Exercisable at March 31, 2011	2,874,000	$	0.559	5.01 years	$	4,285,340

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 geographic operations outside the United States include shipments to and from Canada, Central America, Europe, Africa, Asia and Australia. The following data presents the Company’s revenue generated from shipments to and from these locations for 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	
	2011	2010	2011	2010	2011	2010
Three months ended March 31:						
Revenue	$22,768	$17,401	$19,262	$15,463	$42,030	$32,864
Cost of transportation	13,634	10,359	15,371	12,164	29,005	22,523
Net revenue	$9,134	$7,142	$3,891	$3,299	$13,025	$10,341

	United Stated				Other Countries				Total			
	2011		2010		2011		2010		2011		2010	
Nine months ended March 31:												
Revenue	$	72,555	$	54,897	$	60,333	$	51,111	$	132,888	$	106,008
Cost of transportation		44,552		32,802		47,010		40,812		91,562		73,614
Net revenue	$	28,003	$	22,095	$	13,323	$	10,299	$	41,326	$	32,394

NOTE 14 – SUBSEQUENT EVENT

On April 6, 2011, the Company closed on a previously announced Agreement and Plan of Merger (the "Agreement") pursuant to which it acquired all of the outstanding capital stock of DBA Distribution Services, Inc., a privately-held New Jersey corporation ("DBA"), in a transaction valued at $12.0 million. DBA operates under the trade name "Distribution by Air" and provides a full range of domestic and international transportation and logistics services across North America. The shares of DBA were acquired by the Company via a merger transaction pursuant to which DBA was merged into a newly-formed subsidiary of the Company.

19

The $12.0 million transaction consisted of $5.4 million paid at closing, the delivery of $4.8 million in seller notes (payable in principle installments of $1.6 million on the anniversary date over the next three years plus interest at a rate of 6.5% per annum), and $1.8 million payable upon achievement of certain integration milestones within 18 months closing. The Company may, at its sole option, on or before the three-month anniversary of the closing, elect to satisfy up to $2.4 million of the seller notes through the issuance of shares of common stock to be valued based upon a 30-day volume weighted average price as calculated preceding the delivery of the shares. The seller notes may be subject to acceleration upon occurrence of a "Corporate Transaction" (as defined in the Agreement), which includes a future sale of DBA or the Company or certain changes in corporate control. The cash component of the transaction was financed through a combination of existing funds and funds available under the Company’s revolving credit facility.

Founded in 1981, DBA services a diversified account base including manufacturers, distributors and retailers through a combination of company-owned logistics centers located in Somerset, New Jersey and Los Angeles, California and twenty-three agency offices across North America.

In connection with the acquisition of DBA, the Company entered into a sixth modification to amend the Bank of America secured credit facility, extending the maturity to March 31, 2013. The Facility is in the principal amount of $20 million (including availability for letters of credit), and provides for advances of up to 80% of the Company's eligible accounts receivable. Advances under the facility are available to fund future acquisitions, capital expenditures or for other corporate purposes.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding future operating performance, events, trends and plans. All statements other than statements of historical fact contained herein, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues and costs, and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expects," "intends," "plans," "projects," "estimates," "anticipates," or "believes" or the negative thereof or any variation thereon or similar terminology or expressions. We have based these forward-looking statements on our current expectations and projections about future events. 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. 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 statements, such factors include the inherent risks associated with our ability to: (i) use our current infrastructure as a "platform" upon which we can build a profitable global transportation and supply chain management company; (ii) retain and build upon the relationships we have with our exclusive agency offices; (iii) continue the development of our back office infrastructure and transportation and accounting systems in a manner sufficient to service our expanding revenues and base of exclusive agency locations; (iv) continue growing our business and maintain historical or increased gross profit margins; (v) locate suitable acquisition opportunities; (vi) secure the financing necessary to complete any acquisition opportunities we locate; (vii) assess and respond to competitive practices in the industries in which we compete; (viii) mitigate, to the best extent possible, our dependence on current management and certain of our larger exclusive agency locations; (ix) 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 (x) assess and respond to such other factors which may be identified from time to time in our Securities and Exchange Commission ("SEC") filings and other public announcements including those set forth under the caption “Risk Factors” in Part 1 Item 1A of our annual report on Form 10-K for the year ended June 30, 2010. 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 Bellevue, Washington based non-asset based logistics company providing domestic and international freight forwarding services through a network which includes a combination of company-owned and exclusive agent offices across North America. Operating under the Airgroup, Adcom, DBA and Radiant brands, we service a diversified account base including manufacturers, distributors and retailers using a network of independent carriers and international agents positioned strategically around the world.

As a non-asset based provider of third-party logistics services, we seek to limit our investment in equipment, facilities and working capital through contracts and preferred provider arrangements with various transportation providers who generally provide us with favorable rates, minimum service levels, capacity assurances and priority handling status. Our non-asset based approach allows us to maintain a high level of operating flexibility and leverage a cost structure that is highly variable in nature while the volume of our flow of freight enables us to negotiate attractive pricing with our transportation providers.

We continue to identify