

CELADON GROUP INC
Form 10-K/A
March 30, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2014

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-34533

CELADON GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

13-3361050
(I.R.S. Employer
Identification Number)

9503 East 33rd Street
Indianapolis, IN
(Address of principal executive offices)

46235
(Zip Code)

Registrant's telephone number, including area code: (317) 972-7000

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

Title of each class	Name of each exchange on which registered
Common Stock (\$0.033 par value)	New York Stock Exchange
Series A Junior Participating Preferred Stock	New York Stock Exchange
Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

On December 31, 2013, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock (\$0.033 par value) held by non-affiliates (20,778,254 shares) was approximately \$405 million based upon the reported last sale price of the common stock on that date. In making this calculation the registrant has assumed, without admitting for any purpose, that all executive officers, directors, and affiliated holders of more than 10% of a class of outstanding common stock, and no other persons, are affiliates.

The number of outstanding shares of the registrant's common stock as of the close of business on August 29, 2014 was 23,640,868.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of Form 10-K - Portions of Definitive Proxy Statement for the 2014 Annual Meeting of Stockholders

CELADON GROUP, INC.
FORM 10-K/A

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends our original Annual Report on Form 10-K for the year ended June 30, 2014 (the "Original Filing"). The purpose of this Amendment No. 1 is to revise the Report of Independent Registered Public Accounting Firm (the "Report") issued by BKD, LLP ("BKD") appearing under Item 8 of the Original Filing, to revise BKD's consent on Exhibit 23.1 to the Original Filing (the "Consent"), and to remove Exhibit 4.4 to the Original Filing as it references an agreement that was not in effect during the period covered by the Original Filing. The Report inadvertently omitted to include (i) a reference to financial statement schedule II for the year ended June 30, 2014, as being included in the scope of the audit performed by BKD, and (ii) BKD's opinion that such schedule, when considered in relation to our financial statements taken as a whole, presented fairly, in all material respects, the information set forth in such schedule. The Consent has been revised to correct an inadvertent misstatement of the date of the Report. Exhibit 4.4 to the Original Report has been removed.

In addition, the required officers of Celadon Group, Inc. (the "Company") have provided new certifications in connection with this Amendment No. 1 (Exhibits 31.1, 31.2, 32.1, and 32.2).

Except as described above, no other amendments have been made to the Original Filing. This Amendment No. 1 continues to speak as of the date of the Original Filing, and the Company has not updated the disclosure contained herein to reflect events that have occurred since the date of the Original Filing. This Amendment No. 1 should be read in conjunction with the Company's other filings made with the SEC subsequent to the filing of the Original Filing.

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PART II

Item 8. Financial Statements and Supplementary Data

The following statements are filed with this report:

Report of Independent Registered Public Accounting Firm;
Consolidated Statements of Operations;
Consolidated Statements of Comprehensive Income;
Consolidated Balance Sheets;
Consolidated Statements of Cash Flows;
Consolidated Statements of Stockholders' Equity; and
Notes to Consolidated Financial Statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders
Celadon Group, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheet of Celadon Group, Inc. as of June 30, 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year ended June 30, 2014. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule II for the year ended June 30, 2014. The Company's management is responsible for these financial statements and financial statement schedule. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celadon Group, Inc. as of June 30, 2014, and the results of its operations and its cash flows for the year ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule II for the year ended June 30, 2014, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Celadon Group Inc.'s internal control over financial reporting as of June 30, 2014, based on criteria established in Internal Control-Integrated Framework (1992 edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 15, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ BKD, LLP
Indianapolis, Indiana
September 15, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders
Celadon Group, Inc.
Indianapolis, Indiana

We have audited Celadon Group Inc.'s internal control over financial reporting as of June 30, 2014, based on criteria established in Internal Control - Integrated Framework (1992 edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Celadon Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2014, based on criteria established in Internal Control - Integrated Framework (1992 edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Celadon Group, Inc. and our report dated September 15, 2014 expressed an unqualified opinion thereon.

/s/ BKD, LLP
Indianapolis, Indiana

September 15, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Celadon Group, Inc.:

We have audited the accompanying consolidated balance sheet of Celadon Group, Inc. and subsidiaries (the Company) as of June 30, 2013, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the years in the two-year period ended June 30, 2013. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule II for each of the years in the two-year period ended June 30, 2013. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celadon Group, Inc. and subsidiaries as of June 30, 2013, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule II for each of the years in the two-year period ended June 30, 2013, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP
Indianapolis, Indiana
September 12, 2013

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CELADON GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended June 30, 2014, 2013, and 2012
(Dollars and shares in thousands, except per share amounts)

	2014	2013	2012
Operating Revenue:			
Freight revenue	\$615,411	\$489,035	\$475,116
Fuel surcharges	143,900	124,613	123,836
Total revenue	759,311	613,648	598,952
Operating expenses:			
Salaries, wages, and employee benefits	209,938	165,485	158,948
Fuel	171,695	143,807	156,207
Purchased transportation	173,940	125,741	108,866
Revenue equipment rentals	6,621	6,973	5,986
Operations and maintenance	49,709	32,669	39,189
Insurance and claims	19,252	15,251	13,899
Depreciation and amortization	57,843	50,767	47,214
Communications and utilities	6,409	5,408	4,292
Operating taxes and licenses	13,275	10,451	10,308
General and other operating	11,195	8,424	7,284
Total operating expenses	719,877	564,976	552,193
Operating income	39,434	48,672	46,759
Other (income) expense:			
Interest expense	5,071	4,931	5,684
Interest income	(12)	---	(56)
Other income, net	(15,996)	(994)	(412)
Income before income taxes	50,371	44,735	41,543
Provision for income taxes	19,690	17,471	16,007
Net income	\$30,681	\$27,264	\$25,536
Earnings per common share:			
Diluted earnings per share	\$ 1.29	\$ 1.17	\$ 1.12
Basic earnings per share	\$ 1.33	\$ 1.20	\$ 1.15
Weighted average shares outstanding:			
Diluted	23,755	23,393	22,872
Basic	23,014	22,641	22,264

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended June 30, 2014, 2013, and 2012

(Dollars in thousands)

	2014	2013	2012
Net Income	\$30,681	\$27,264	\$25,536
Other comprehensive income (loss):			
Unrealized gain (loss) on fuel derivative instruments, net of tax	(45)	104	(446)
Unrealized gain (loss) on currency derivative instruments, net of tax	105	(78)	(96)
Foreign currency translation adjustments	(784)	(324)	(3,469)
Total other comprehensive income (loss)	(724)	(298)	(4,011)
Comprehensive income	\$29,957	\$26,966	\$21,525

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2014 and 2013

(Dollars and shares in thousands except par value amounts)

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	\$15,508	\$1,315
Trade receivables, net of allowance for doubtful accounts of \$942 and \$919 in 2014 and 2013, respectively	105,968	77,623
Prepaid expenses and other current assets	26,288	13,434
Tires in service	2,227	1,245
Equipment held for resale	3,148	9,923
Income tax receivable	6,395	9,506
Deferred income taxes	7,651	4,342
Total current assets	167,185	117,388
Property and equipment	643,888	612,236
Less accumulated depreciation and amortization	151,059	115,366
Net property and equipment	492,829	496,870
Tires in service	2,720	1,785
Goodwill	22,810	17,730
Investment in joint venture	---	4,604
Other assets	5,271	2,785
Total assets	\$690,815	\$641,162
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$11,017	\$10,401
Accrued salaries and benefits	13,902	11,197
Accrued insurance and claims	11,568	10,092
Accrued fuel expense	11,306	7,461
Other accrued expenses	33,453	20,070
Current maturities of capital lease obligations	67,439	25,669
Current maturities of long-term debt	3,690	---
Total current liabilities	152,375	84,890
Capital lease obligations, net of current maturities	119,665	190,625
Long-term debt	83,497	78,137
Deferred income taxes	76,275	61,821
Stockholders' equity:		
Common stock, \$0.033 par value, authorized 40,000 shares; issued and outstanding 24,060 and 23,887 shares at June 30, 2014 and 2013, respectively	794	788
Treasury stock at cost; 500 and 696 shares at June 30, 2014 and 2013, respectively	(3,453)	(4,811)
Additional paid-in capital	107,579	103,749
Retained earnings	160,068	131,224
Accumulated other comprehensive loss	(5,985)	(5,261)
Total stockholders' equity	259,003	225,689
Total liabilities and stockholders' equity	\$690,815	\$641,162

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2014, 2013, and 2012
(Dollars in thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net income	\$30,681	\$27,264	\$25,536
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	64,800	57,812	55,777
(Gain) / loss on sale of equipment	(6,736)	(6,813)	(8,221)
Gain from sale of minority investment	(17,143)	---	---
Deferred income taxes	5,210	20,537	6,627
Provision for doubtful accounts	100	(1)	10
Stock based compensation expense	2,077	3,850	2,483
Changes in assets and liabilities:			
Trade receivables	(17,125)	(2,129)	(3,124)
Income tax receivable and payable	7,905	(11,124)	(410)
Tires in service	(1,917)	2,016	5,205
Prepaid expenses and other current assets	(10,409)	(1,058)	2,631
Other assets	886	(1,200)	(910)
Accounts payable and accrued expenses	11,988	(2,445)	(8,510)
Net cash provided by operating activities	70,317	86,709	77,094
Cash flows from investing activities:			
Purchase of property and equipment	(82,826)	(169,511)	(95,457)
Proceeds on sale of property and equipment	103,926	105,444	155,528
Proceeds from sale of minority interest	21,000	---	---
Purchase of available for sale securities	---	---	(4,661)
Sale of securities	---	---	4,922
Purchase of businesses, net of cash acquired	(36,602)	(39,484)	(41,856)
Net cash provided by (used in) investing activities	5,498	(103,551)	18,476
Cash flows from financing activities:			
Proceeds from issuance of common stock	2,985	1,892	548
Borrowings on long-term debt	325,520	388,009	256,667
Payments on long-term debt	(358,466)	(333,539)	(256,667)
Dividends paid	(1,837)	(1,805)	(1,337)
Principal payments on capital lease obligations	(29,190)	(70,066)	(86,115)
Net cash used in financing activities	(60,988)	(15,509)	(86,904)
Effect of exchange rates on cash and cash equivalents	(634)	20	(693)
Increase (decrease) in cash and cash equivalents	14,193	(32,331)	7,973
Cash and cash equivalents at beginning of year	1,315	33,646	25,673
Cash and cash equivalents at end of year	\$15,508	\$1,315	\$33,646
Supplemental disclosure of cash flow information:			
Interest paid	\$4,802	\$4,927	\$5,683
Income taxes paid	\$9,901	\$8,752	\$10,692
Obligations incurred under capital lease	\$---	\$55,789	\$168,983

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended June 30, 2014, 2013, and 2012
(Dollars in thousands, except share amounts)

	Common Stock No. of Shares Outstanding	Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity
Balance at June 30, 2011	22,522,237	\$ 788	\$ 99,906	\$ (9,408)	\$ 81,566	\$ (952)	\$ 171,900
Net income	---	---	---	---	25,536	---	25,536
Other comprehensive income (loss)	---	---	---	---	---	(4,011)	(4,011)
Comprehensive income					25,536	(4,011)	21,525
Treasury stock issued	---	---	(1,047)	1,048	---	---	1
Restricted stock and options expense	249,840	3	2,141	---	---	---	2,144
Dividends paid	---	---	---	---	(1,337)	---	(1,337)
Exercise of stock options	57,233	---	154	394	---	---	548
Balance at June 30, 2012	22,829,310	\$ 791	\$ 101,154	\$ (7,966)	\$ 105,765	\$ (4,963)	\$ 194,781
Net income	---	---	---	---	27,264	---	27,264
Other comprehensive income (loss)	---	---	---	---	---	(298)	(298)
Comprehensive income					27,264	(298)	26,966
Treasury stock issued	---	---	(1,792)	1,801	---	---	9
Restricted stock and options expense	164,851	(3)	3,849	---	---	---	3,846
Dividends paid	---	---	---	---	(1,805)	---	(1,805)
Exercise of stock options	196,575	---	538	1,354	---	---	1,892
Balance at June 30, 2013	23,190,736	\$ 788	\$ 103,749	\$ (4,811)	\$ 131,224	\$ (5,261)	\$ 225,689
Net income	---	---	---	---	30,681	---	30,681
Other comprehensive	---	---	---	---	---	(724)	(724)

income (loss)

Comprehensive income					30,681	(724)	29,957
Treasury stock issued	---	---	(634)	634	---	---	---
Restricted stock and options expense	132,400	2	2,075	---	---	---	2,077
Dividends paid	---	---	---	---	(1,837)	---	(1,837)
Exercise of incentive options	236,742	4	2,389	724	---	---	3,117
Balance at June 30, 2014	23,559,878	\$ 794	\$ 107,579	\$ (3,453)	\$ 160,068	\$ (5,985)	\$ 259,003

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014, 2013 and 2012

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Celadon Group, Inc. (the "Company"), through its subsidiaries, provides transportation services between the United States, Canada, and Mexico. The Company's primary transportation subsidiaries are: Celadon Trucking Services, Inc. ("CTSI"), a U.S. based company; Celadon Logistics Services, Inc. ("CLSI"), a U.S. based company; Servicio de Transportation Jaguar, S.A. de C.V. ("Jaguar"), a Mexican based company; and Celadon Canada, Inc. ("CelCan"), a Canadian based company.

Summary of Significant Accounting Policies

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of Celadon Group, Inc. and its wholly and majority owned subsidiaries, all of which are wholly owned except for Jaguar in which the Company owns 75% of the shares. The entity was set up to allow the Company to operate in Mexico. The minority owner of Jaguar has been refunded all initial capital contributions and is not entitled to receive any future earnings or required to fund any losses of the subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, all references to annual periods refer to the respective fiscal years ended June 30.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Such estimates include provisions for liability claims and uncollectible accounts receivable. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of trade receivables. The Company performs ongoing credit evaluations of its customers and does not require collateral for its accounts receivable. The Company maintains reserves which management believes are adequate to provide for potential credit losses. Uncollectible accounts receivable are written off against the reserves. Concentrations of credit risk with respect to trade receivables are generally limited due to the Company's large number of customers and the diverse range of industries which they represent. Accounts receivable balances due from any single customer did not total more than 5% of the Company's gross trade receivables at June 30, 2014.

Property and Equipment

Property and equipment are stated at cost. Property and equipment under capital leases are stated at fair value at the inception of the lease.

Depreciation of property and equipment and amortization of assets under capital leases are computed using the straight-line method and are based on the lesser of the life of the lease or the estimated useful lives of the related assets (net of salvage value) as follows:

Revenue and service equipment	3-7 years
Furniture and office equipment	4-5 years
Buildings	20 years
Leasehold improvements	Lesser of life of lease (including expected renewals) or useful life of improvement

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Initial delivery costs relating to placing tractors in service are expensed as incurred. The cost of maintenance and repairs is charged to expense as incurred.

Long-lived assets are depreciated over estimated useful lives based on historical experience and prevailing industry practice. Estimated useful lives are periodically reviewed to ensure they remain appropriate. Long-lived assets are tested for impairment whenever an event occurs that indicates an impairment may exist. Future cash flows and operating performance are used for analyzing potential impairment losses. If the sum of expected undiscounted cash flows is less than the carrying value an impairment loss is recognized. The Company measures the impairment loss by comparing the fair value of the asset to its carrying value. Fair value is determined based on a discounted cash flow analysis or appraised or estimated market values as appropriate. Long-lived assets that are held for sale are recorded at the lower of carrying value or the fair value less costs to sell.

Equipment held for resale

Equipment held for resale is recorded at the lower of carrying value and fair market value less costs to sell. The Company also ceases the depreciation on these assets.

Tires in Service

Replacement tires on tractors and trailers are included in tires in service and are amortized over 18 to 36 months.

Goodwill

The consolidated balance sheets at June 30, 2014 and 2013 included goodwill of acquired businesses of approximately \$22.8 million and \$17.7 million respectively. Under ASC Topic 350-20 Intangibles – Goodwill and Other, goodwill is not amortized but is tested for impairment annually (or more often, if an event or circumstance indicates that an impairment loss has been incurred). On April 1, 2014, we completed our most recent qualitative annual impairment test (under ASU 2011-08) for the fiscal year and concluded that there was no indication of impairment.

Insurance Reserves

The primary claims arising for us consist of cargo liability, personal injury, property damage, collision and comprehensive, workers' compensation, and employee medical expenses. We maintain self-insurance levels for these various areas of risk and have established reserves to cover these self-insured liabilities. We also maintain insurance to cover liabilities in excess of these self-insurance amounts. Claims reserves represent accruals for the estimated uninsured portion of reported claims, including adverse development of reported claims, as well as estimates of incurred but not reported claims. Reported claims and related loss reserves are estimated by third party administrators, and we refer to these estimates in establishing our reserves. Claims incurred but not reported are estimated based on our historical experience and industry trends, which are continually monitored, and accruals are adjusted when warranted by changes in facts and circumstances. In establishing our reserves we must take into account and estimate various factors, including, but not limited to, assumptions concerning the nature and severity of the claim, the effect of the jurisdiction on any award or settlement, the length of time until ultimate resolution, inflation rates in health care, and in general interest rates, legal expenses, and other factors. Our actual experience may be different than our estimates, sometimes significantly. Changes in assumptions as well as changes in actual experience could cause these estimates to change. Insurance and claims expense will vary from period to period based on the severity and frequency of claims incurred in a given period. The administrative expenses associated with these reserves are expensed when paid.

Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

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Revenue Recognition

Trucking revenue and related direct costs are recognized on the date freight is delivered by the Company to the customer and collectability is reasonably assured. Prior to commencement of shipment, the Company will negotiate an agreed upon price for services to be rendered.

Advertising

Advertising costs are expensed as incurred by the Company. Advertising expense primarily consists of recruiting for new drivers. Advertising expenses for fiscal 2014, 2013, and 2012 were \$3.2 million, \$2.9 million, and \$2.2 million, respectively, and are included in salaries, wages, and employee benefits and other operating expenses in the consolidated statements of operations.

Income Taxes

Deferred taxes are recognized for tax loss and credit carry forwards and the future tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting, based on enacted tax laws and rates. Federal income taxes are provided on the portion of the income of foreign subsidiaries that is expected to be remitted to the United States.

The Company follows ASC Topic 740-10-25 Income Taxes, in accounting for uncertainty in income taxes. ASC 740-10-25 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company recognizes the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination.

Accounting for Derivatives

The Company has derivative financial instruments in place to reduce currency exposure for the Mexican Peso and has at times had derivative financial instruments in place to reduce exposure to fuel price fluctuations and currency exposure for Canadian Dollars. Derivative gains/(losses), initially reported as a component of other comprehensive income with an offset to accrued liabilities or other assets, are reclassified to earnings in the period when the forecasted transaction affects earnings. ASC Topic 815, Derivatives and Hedging, requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

Earnings per Share ("EPS")

The Company applies the provisions of ASC Topic 260, Earnings per Share, which requires companies to present basic EPS and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method.

Stock-based Employee Compensation Plans

The Company applies the provisions of ASC Topic 718, Compensation – Stock Compensation, which requires companies to recognize the grant date fair value of stock options and other equity-based compensation issued to employees in its consolidated statement of operations.

Foreign Currency Translation

Foreign financial statements are translated into U.S. dollars in accordance with ASC Topic 830, Foreign Currency Matters. Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at year-end exchange rates. Statement of operations accounts are translated at the average exchange rate prevailing during the year. Resulting translation adjustments are included in other comprehensive income.

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Recent Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (ASC Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"), which amends current comprehensive income guidance. The Company will be required to present significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required that provide additional detail about those amounts. The amendment is effective prospectively for public entities in fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this guidance did not have a material impact on our consolidated financial statements.

(2) PROPERTY, EQUIPMENT, AND LEASES

Property and equipment consists of the following (in thousands):

	2014	2013
Revenue equipment owned	\$ 318,533	\$ 302,052
Revenue equipment under capital leases	243,519	249,703
Furniture and office equipment	11,498	9,083
Land and buildings	64,987	46,377
Service equipment	1,245	1,125
Leasehold improvements	4,106	3,896
	\$ 643,888	\$ 612,236

Included in accumulated depreciation was \$55.8 million and \$34.2 million in 2014 and 2013, respectively, related to revenue equipment under capital leases. Depreciation and amortization expense relating to property and equipment owned and revenue equipment under capital leases, including gains on disposition of equipment, was \$57.8 million in fiscal 2014, \$50.8 million in fiscal 2013, and \$47.2 million in fiscal 2012.

(3) LEASE OBLIGATIONS AND LONG-TERM DEBT

Lease Obligations

The Company leases certain revenue and service equipment under long-term lease agreements, payable in monthly installments.

Equipment obtained under a capital lease is reflected on the Company's balance sheet and the related lease bears interest at rates ranging from 1.4% to 5.4% per annum, maturing at various dates through 2020.

Assets held under operating leases are not recorded on the Company's consolidated balance sheet. The Company leases revenue and service equipment under non-cancellable operating leases expiring at various dates through February 2019.

The Company leases warehouse and office space under non-cancellable operating leases expiring at various dates through July 2017. Certain real estate leases contain renewal options.

Total rental expense under operating leases was as follows for 2014, 2013, and 2012 (in thousands):

	2014	2013	2012
Revenue and service equipment	\$ 6,351	\$ 6,973	\$ 5,986
Office facilities and terminals	3,353	2,386	2,185
	\$ 9,704	\$ 9,359	\$ 8,171

Future minimum lease payments relating to capital leases and to operating leases with initial or remaining terms in excess of one year are as follows (in thousands):

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Year ended June 30,	Capital Leases	Operating Leases
2015	\$ 70,264	\$ 23,489
2016	22,580	6,182
2017	12,845	3,139
2018	22,798	2,534
2019	39,002	14,325
Thereafter	28,928	---
Total minimum lease payments	\$ 196,417	\$ 49,669
Less amounts representing interest	9,313	
Present value of minimum lease payments	\$ 187,104	
Less current maturities	67,439	
Non-current portion	\$ 119,665	

The Company is obligated for lease residual value guarantees of \$22.3 million, with \$12.3 million due in fiscal 2015. The guarantees are included in the future minimum lease payments above. To the extent the expected value at lease termination date is lower than the residual value guarantee; we would accrue for the difference over the remaining lease term. As of June 30, 2014, the Company believes the expected value at lease termination date is greater than the residual value guarantee.

Debt

The Company had debt, excluding lines of credit, of \$13.3 million at June 30, 2014, of which \$3.7 million is classified as current. Debt includes revenue equipment installment notes of \$2.3 million with an average interest rate of 4.12 percent at June 30, 2014 due in monthly installments with final maturities at various dates through June 2019. Included in debt is \$5.9 million related to our escrow agreement from the sale of lease purchase units sold to Element Financial Corp. that carry no interest rate. Additionally, \$4.4 million of debt relates to non-compete agreement payments related to acquisitions that carry no interest rates. The remainder of the balance relates to miscellaneous items acquired through acquisitions that carry no interest rate.

Lines of Credit

In December 2010, we entered into a five-year revolving credit facility agented by Bank of America, N.A. The facility refinanced our previous credit facility and provides for ongoing working capital needs and general corporate purposes. Bank of America, N.A. served as the lead arranger in the facility and Wells Fargo Bank, N.A. also participated in the new facility. The facility provides for ongoing working capital needs and general corporate purposes. In May 2013, we increased our credit facility and extended the maturity. At June 30, 2014, we were authorized to borrow up to \$200.0 million under this credit facility, which expires May 2018. The applicable interest rate under this agreement is based on either a base rate equal to Bank of America, N.A.'s prime rate or LIBOR plus an applicable margin between 0.75% and 1.375% that is adjusted quarterly based on our lease adjusted total debt to EBITDAR ratio. At June 30, 2014, the credit facility had an outstanding balance of \$73.8 million and \$0.8 million utilized for letters of credit. The facility is collateralized by the assets of all the U.S. and Canadian subsidiaries of the Company. We are obligated to comply with certain financial covenants under our credit agreement and we were in compliance with these covenants at June 30, 2014.

(4) EMPLOYEE BENEFIT PLANS

401(k) Profit Sharing Plan

The Company has a 401(k) profit sharing plan, which permits U.S. employees of the Company to contribute up to 50% of their annual compensation, up to certain Internal Revenue Service limits, on a pretax basis. The contributions made by each employee are fully vested immediately and are not subject to forfeiture. The Company makes a discretionary matching contribution of up to 50% of the employee's contribution up to 5% of their annual compensation. Employees vest in the Company's contribution to the plan at the rate of 20% per year from the date of employment anniversary. Contributions made by the Company during fiscal 2014, 2013, and 2012 amounted to \$278,000, \$202,000, and \$128,000, respectively.

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(5)

STOCK PLANS

All share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based upon a grant-date fair value of an award.

In January 2006, stockholders approved the 2006 Omnibus Incentive Plan ("2006 Plan") that provides various vehicles to compensate the Company's key employees. The 2006 Plan utilizes such vehicles as stock options, restricted stock grants, and stock appreciation rights ("SARs"). The 2006 Plan authorized the Company to grant 1,687,500 shares. In November 2008, an additional 1,000,000 shares were authorized under an amendment to the 2006 Plan. In December 2013, a second amendment to the plan was approved by stockholders authorizing an additional 750,000 shares to be available for grant under the 2006 plan. In fiscal 2014, the Company granted restricted stock grants covering 148,500 shares. In fiscal 2013, the Company granted restricted stock grants covering 189,413 shares. In fiscal 2012, the Company granted stock options covering 87,500 shares and restricted stock grants covering 187,417 shares. As of June 30, 2014, the Company is authorized to grant an additional 685,526 shares.

The total compensation cost that has been recorded for such stock-based awards was an expense of \$2.1 million in fiscal 2014, \$3.9 million in fiscal 2013, and \$2.4 million in fiscal 2012. The total income tax benefit recognized in the statement of operations for share-based compensation arrangements was \$1.13 million in fiscal 2014, \$1.9 million in fiscal 2013, and \$1.5 million in fiscal 2012.

The Company has granted a number of stock options under various plans. Options granted to employees have been granted with an exercise price equal to the market price on the grant date and expire on the tenth anniversary of the grant date. The majority of options granted to employees vest 25 percent per year, commencing with the first anniversary of the grant date. Under the 2006 Plan options granted have been granted with an exercise price equal to the market price on the grant date, vest over three years for non-employee directors and four years with respect to all other grants, commencing with the first anniversary of the grant date, and expire on the tenth anniversary of the grant date.

A summary of the activity of the Company's stock option plans as of June 30, 2014, 2013, and 2012 and changes during the period then ended is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 30, 2011	1,432,083	\$ 10.60	6.06	\$ 4,866,334
Granted	---	---		
Forfeited or expired	(12,560)	\$ 11.21		
Exercised	(57,233)	\$ 9.58		
Outstanding at June 30, 2012	1,362,290	\$ 10.63	5.1	\$ 7,829,713
Granted	---	---		
Forfeited or expired	(17,925)	\$ 13.77		
Exercised	(195,575)	\$ 9.57		
Outstanding at June 30, 2013	1,148,790	\$ 10.76	4.1	\$ 8,606,841
Granted	---	---		

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Forfeited or expired	(8,500)	\$	13.88		
Exercised	(235,192)	\$	12.60		
Outstanding at June 30, 2014	905,098	\$	10.25	3.5	\$ 10,018,958
Exercisable at June 30, 2014	892,598	\$	10.19	3.4	\$ 9,932,333

The total intrinsic value of options exercised during fiscal 2014, 2013, and 2012 was \$1.9 million, \$2.0 million, and \$0.3 million, respectively.

As of June 30, 2014, we had \$0.1 million of total unrecognized compensation expense related to stock options that is expected to be amortized over a remaining 0.6 years and a weighted average period of 0.6 years.

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Restricted Shares

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at June 30, 2011	355,630	\$ 12.27
Granted	252,593	\$ 12.60
Forfeited	(2,753)	\$ 11.44
Vested	(152,045)	\$ 12.09
Unvested at June 30, 2012	453,425	\$ 12.36
Granted	189,413	\$ 18.58
Forfeited	(24,437)	\$ 11.33
Vested	(262,438)	\$ 12.64
Unvested at June 30, 2013	355,963	\$ 15.75
Granted	148,500	\$ 22.13
Forfeited	(16,975)	\$ 13.49
Vested	(130,783)	\$ 14.75
Unvested at June 30, 2014	356,705	\$ 18.88

Restricted shares granted to employees have been granted subject to achievement of certain time-based targets and vest evenly over a four or five year period, commencing with the first anniversary of the grant date.

As of June 30, 2014, we had \$5.7 million of total unrecognized compensation expense related to restricted stock that is expected to be recognized over the remaining weighted average period of approximately 3.3 years.

(6) STOCK REPURCHASE PROGRAMS

On October 24, 2007, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company purchased 2,000,000 shares of the Company's common stock in open market transactions at an aggregate cost of approximately \$13.8 million. We intend to hold repurchased shares in treasury for general corporate purposes, including issuances under stock option plans. We account for treasury stock using the cost method. At June 30, 2014, 500,000 shares remained in treasury stock.

On August 25, 2010, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company is authorized to repurchase up to 2,000,000 shares of our common stock. The Company has not repurchased any shares of the Company's common stock under this program.

(7) EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators used in computing earnings per share (in thousands except per share amounts):

	2014	2013	2012
Net income	\$ 30,681	\$ 27,264	\$ 25,536
Basic earnings per share:			
Weighted - average number of common	23,014	22,641	22,264

shares outstanding			
Basic earnings per share	\$ 1.33	\$ 1.20	\$ 1.15
Diluted earnings per share:			
Weighted - average number of common shares outstanding	23,014	22,641	22,264
Effect of stock options and other incremental shares	741	752	608
Weighted-average number of common shares outstanding – diluted	23,755	23,393	22,872
Diluted earnings per share	\$ 1.29	\$ 1.17	\$ 1.12

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The Company has grants that remain outstanding covering zero options in fiscal 2014, 39,150 options in fiscal 2013, and 90,500 options in fiscal 2012 that could potentially dilute basic earnings per share that were excluded from the EPS calculation as they are anti-dilutive in the current year.

(8) COMMITMENTS AND CONTINGENCIES

The Company has outstanding commitments to purchase approximately \$72.0 million of revenue equipment at June 30, 2014.

Standby letters of credit, not reflected in the accompanying consolidated financial statements, aggregated approximately \$0.8 million at June 30, 2014. In addition, at June 30, 2014, 500,000 treasury shares were held in a trust as collateral for self-insurance reserves.

The Company has an employment agreement with the Chairman of the Board providing for minimum combined annual compensation of \$300,000 in fiscal 2015.

(9) INCOME TAXES

The income tax provision for operations in fiscal 2014, 2013, and 2012, consisted of the following (in thousands):

	2014	2013	2012
Current:			
Federal	\$ 12,958	\$ (3,127)	\$ 7,285
State and local	1,013	(2,110)	220
Foreign	509	2,180	1,900
Total Current	\$ 14,480	(3,057)	9,405
Deferred:			
Federal	3,703	16,122	5,950
State and local	576	3,145	659
Foreign	931	1,261	(7)
Total Deferred	5,210	20,528	6,602
Total	\$ 19,690	\$ 17,471	\$ 16,007

No benefit or expense has been recognized for U.S. federal income taxes on undistributed earnings of foreign subsidiaries of approximately \$3.8 million, \$4.3 million, and \$2.4 million at June 30, 2014, 2013, and 2012, respectively. This exception is allowable under ASC 740-30-50-2.

The Company's income tax expense varies from the statutory federal tax rate of 35% applied to income before income taxes as follows (in thousands):

	2014	2013	2012
Computed "expected" income tax expense	\$ 17,630	\$ 15,484	\$ 14,540
State taxes, net of federal benefit	1,033	676	571
Non-deductible expenses	1,705	383	1,092
Other, net	(678)	928	(196)

Actual income tax expense	\$ 19,690	\$ 17,471	\$ 16,007
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The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at June 30, 2014 and 2013 consisted of the following (in thousands):

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	2014	2013
Deferred tax assets:		
Deferred equity compensation	\$ 1,755	\$ 1,988
Insurance reserves	4,167	3,741
Other	4,998	1,508
Total deferred tax assets	\$ 10,920	\$ 7,237
Deferred tax liabilities:		
Property and equipment	\$ (72,235)	\$ (58,513)
Goodwill	(5,742)	(5,204)
Other	(1,567)	(999)
Total deferred tax liabilities	\$ (79,544)	\$ (64,716)
Net current deferred tax assets	\$ 7,651	\$ 4,342
Net non-current deferred tax liabilities	(76,275)	(61,821)
Total net deferred tax liabilities	(68,624)	\$ (57,479)

As of June 30, 2014, the Company had operating loss carry-forwards for income tax purposes of \$1.5 million, which have expiration dates of 2034 and after.

The Company follows ASC Topic 740-10-25 Income Taxes in accounting for uncertainty in income taxes. Topic 740-10-25 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As of June 30, 2014 and June 30, 2013, the Company recorded a \$0.5 million liability in each year for unrecognized tax benefits, a portion of which represents penalties and interest. The only periods subject to examination for our federal returns are the 2011, 2012, and 2013 tax years.

(10) SEGMENT INFORMATION AND SIGNIFICANT CUSTOMERS

We have two reportable segments comprised of our two operating segments, an asset-based segment and an asset-light segment. Our asset-based segment includes our asset-based dry van carrier and rail services, which are geographically diversified but have similar economic and other relevant characteristics, as they all provide truckload carrier services of general commodities to a similar class of customers. Our asset-light segment consists of our warehousing, brokerage, and less-than-load ("LTL") operations, as well as our interest in TruckersB2B, which we have determined qualifies as a reportable segment under ASC 280-10 Segment Reporting.

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	Fiscal Year Ended June 30, (Dollars in thousands)		
	2014	2013	2012
Total revenues			
Asset-based	\$ 706,726	\$ 569,688	\$ 556,770
Asset-light	52,585	43,960	42,182
	759,311	613,648	598,952
Operating income			
Asset-based	34,179	45,190	43,723
Asset-light	5,255	3,482	3,036
	39,434	48,672	46,759
Depreciation and amortization			
Asset-based	57,843	50,767	47,214
Asset-light	---	---	---
	57,843	50,767	47,214
Interest income			
Asset-based	---	---	(56)
Interest expense			
Asset-based	5,071	4,931	5,684
Income before taxes			
Asset-based	29,121	40,259	38,085
Asset-light	21,250	4,476	3,458
	50,371	44,735	41,543
Goodwill			
Asset-based	21,442	16,362	15,334
Asset-light	1,368	1,368	1,368
	22,810	17,730	16,702
Total assets			
Asset-based	684,548	635,968	516,106
Asset-light	6,267	5,194	4,605
	690,815	641,162	520,711

Information as to the Company's operations by geographic area is summarized below (in thousands). The Company allocates total revenue based on the country of origin of the tractor hauling the freight.

	2014	2013	2012
Total revenue:			
United States	\$ 609,512	\$ 534,463	\$ 520,951
Canada	115,678	48,667	46,698
Mexico	34,121	30,518	31,303
Total	\$ 759,311	\$ 613,648	\$ 598,952

Long-lived assets:			
United States	\$ 439,043	\$ 479,852	\$ 371,967
Canada	65,719	30,094	9,698
Mexico	18,868	13,828	13,002
Total	\$ 523,630	\$ 523,774	\$ 394,667

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No customer accounted for more than 10% of the Company's total revenue during its three most recent fiscal years.

(11) FAIR VALUE MEASUREMENTS

ASC 820-10 Fair Value Measurement defines fair value, establishes a framework for measuring fair value in United States generally accepted accounting principles, and expands disclosures about fair value measurements. This standard establishes a three-level hierarchy for fair value measurements based upon the significant inputs used to determine fair value. Observable inputs are those which are obtained from market participants external to the Company while unobservable inputs are generally developed internally, utilizing management's estimates assumptions, and specific knowledge of the nature of the assets or liabilities and related markets. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (markets with few transactions), inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data correlation or other means (market corroborated inputs).

Level 3 – Unobservable inputs, only used to the extent that observable inputs are not available, reflect the Company's assumptions about the pricing of an asset or liability (dollar amounts below in thousands)

			Level 1		Level 2		Level 3	
	Balance at June 30, 2014	Balance at June 30, 2013	Balance at June 30, 2014	Balance at June 30, 2013	Balance at June 30, 2014	Balance at June 30, 2013	Balance at June 30, 2014	Balance at June 30, 2013
Foreign currency derivatives	\$ 35	\$ (70)	---	---	\$ 35	\$ (70)	---	---
Fuel derivatives	---	45	---	---	---	45	---	---

The Company pays a fixed contract rate for foreign currency. The fair value of foreign currency forward contracts is based on the valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate.

(12) FUEL DERIVATIVES

In our day to day business activities we are exposed to certain market risks, including the effects of changes in fuel prices. We continually review new ways to reduce the potentially adverse effects that the volatility of fuel markets may have on operating results. In an effort to reduce the variability of the ultimate cash flows associated with fluctuations in diesel fuel prices, we enter into futures contracts. These instruments will be heating oil futures contracts as the related index, New York Mercantile Exchange ("NYMEX"), generally exhibits high correlation with the changes in the dollars of the forecasted purchase of diesel fuel. We do not engage in speculative transactions, nor

do we hold or issue financial instruments for trading purposes.

As of June 30, 2014, we had no future contracts pertaining to heating oil outstanding. Previously under such contracts, we would pay a fixed rate per gallon of heating oil and receive the monthly average price of New York heating oil per the NYMEX. We previously had done retrospective and prospective regression analyses that showed the changes in the prices of diesel fuel and heating oil were deemed to be highly effective based on the relevant authoritative guidance. Accordingly, we had designated the respective hedges as cash flow hedges.

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We performed both a prospective and retrospective assessment of the effectiveness of our hedge contracts at inception and quarterly. If our analysis had shown that the derivatives were not highly effective as hedges, we would have discontinued hedge accounting for the period and prospectively recognized changes in the fair value of the derivative through earnings.

We recognized all derivative instruments at fair value on our consolidated condensed balance sheets in other assets or other accrued expenses. Our derivative instruments were designated as cash flow hedges, thus the effective portion of the gain or loss on the derivative was reported as a component of accumulated other comprehensive income and was reclassified into earnings in the same period during which the hedged transactions affected earnings.

(13) DISPOSITION OF MINORITY INTEREST IN SUBSIDIARY

In May 2014, the Company sold its minority ownership interest in TruckersB2B, LLC. The sales price of the transaction was approximately \$21 million with a pre-tax gain on the sale of \$17.1 million, not including expenses related to the sale.

(14) SELECTED QUARTERLY DATA (Unaudited)

Summarized quarterly data for fiscal 2014 and 2013 follows (in thousands except per share amounts):

	Fiscal Year 2014			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Total revenues	\$ 175,102	\$ 193,595	\$ 193,228	\$ 197,386
Operating expenses	163,570	184,652	186,446	185,208
Operating income	11,532	8,943	6,782	12,178
Other expense (income), net	983	1,100	1,053	(14,072)
Income before taxes	10,549	7,843	5,729	26,250
Income tax expense	3,983	2,717	2,247	10,743