

EXPRESS-1 EXPEDITED SOLUTIONS INC

Form 10-Q

November 14, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

(Mark One)

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

For the Quarterly period ended September 30, 2008

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

For the transition period from to

**Commission file number 001-32172
Express-1 Expedited Solutions, Inc.**

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

03-0450326

(I.R.S. Employer Identification No.)

3399 South Lakeshore Drive, Suite 225

Saint Joseph, MI 49085

(Address of Principal Executive Offices)(Zip Code)

(269) 429-9761

(Issuer's Telephone Number, Including Area Code)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company 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 Exchange Act). Yes No

The Registrant has 32,035,218 shares of its common stock outstanding as of November 12th, 2008.

Express-1 Expedited Solutions, Inc.
Form 10-Q
Three and Nine Months Ended September 30, 2008 and 2007
(Unaudited)

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Consolidated Balance Sheets**

	(Unaudited) September 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,868,000	\$ 800,000
Accounts receivable, net of allowances of \$212,000 and \$77,000, respectively	17,119,000	5,663,000
Prepaid expenses	238,000	492,000
Other current assets	887,000	149,000
Deferred tax asset, current	594,000	1,549,000
Total current assets	20,706,000	8,653,000
Property and equipment, net of \$2,202,000 and \$1,734,000 in accumulated depreciation, respectively	3,226,000	2,312,000
Goodwill	16,040,000	7,737,000
Identified intangible assets, net of \$1,586,000 and \$1,279,000 in accumulated amortization,	6,647,000	3,950,000
Loans and advances	73,000	104,000
Deferred tax asset, long term		377,000
Other long term assets	1,212,000	591,000
Long term assets	27,198,000	15,071,000
Total assets	\$ 47,904,000	\$ 23,724,000
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 6,176,000	\$ 892,000
Accrued salaries and wages	598,000	660,000
Accrued acquisition earnouts		2,210,000
Accrued expenses, other	2,225,000	861,000
Current maturities of long term debt	1,247,000	50,000
Other current liabilities	1,005,000	199,000
Total current liabilities	11,251,000	4,872,000
Line of credit	8,254,000	
Notes payable and capital leases, net of current maturities	1,700,000	34,000

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Deferred tax liability, long term	250,000	
Other long-term liabilities	527,000	616,000
Total long-term liabilities	10,731,000	650,000
Stockholders' equity:		
Preferred stock, \$.001 par value; 10,000,000 shares no shares issued or outstanding		
Common stock, \$.001 par value; 100,000,000 shares authorized; 32,215,218 and 27,008,768 shares issued and 32,035,218 and 26,828,768 shares outstanding	32,000	27,000
Additional paid-in capital	26,298,000	21,152,000
Accumulated deficit	(301,000)	(2,870,000)
Treasury stock, at cost, 180,000 shares held	(107,000)	(107,000)
Total stockholders' equity	25,922,000	18,202,000
Total liabilities and stockholders' equity	\$ 47,904,000	\$ 23,724,000

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

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Express-1 Expedited Solutions, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30,	30,	30,	30,
	2008	2007	2008	2007
Revenues				
Operating revenue	\$ 32,438,000	\$ 13,359,000	\$ 88,369,000	\$ 38,694,000
Expenses				
Operating expenses	27,136,000	10,310,000	73,701,000	29,111,000
Gross margin	5,302,000	3,049,000	14,668,000	9,583,000
Sales, general and administrative expense	3,276,000	2,271,000	10,080,000	6,763,000
Income from operations	2,026,000	778,000	4,588,000	2,820,000
Other expense	21,000	(33,000)	36,000	1,000
Interest expense	94,000	13,000	273,000	71,000
Income before income tax provision	1,911,000	798,000	4,279,000	2,748,000
Income tax provision	759,000	299,000	1,710,000	1,034,000
Net income	\$ 1,152,000	\$ 499,000	\$ 2,569,000	\$ 1,714,000
Earnings per common share				
Basic income per common share	0.04	0.02	0.08	0.06
Diluted income per common share	0.04	0.02	0.08	0.06
Weighted average common shares outstanding				
Basic weighted average common shares outstanding	31,949,262	26,737,547	31,241,644	26,629,119
Diluted weighted average common shares outstanding	32,318,995	27,321,640	31,540,687	27,349,458

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

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Express-1 Expedited Solutions, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September	
	30,	
	2008	2007
Operating activities		
Net Income	\$ 2,569,000	\$ 1,714,000
Adjustments to reconcile net income to net cash from operating activities		
Provisions for allowance for doubtful accounts	12,000	(14,000)
Depreciation & amortization expense	847,000	649,000
Stock compensation expense	135,000	130,000
Loss on disposal of equipment		(11,000)
Common stock issued for ESOP		123,000
Changes in assets and liabilities, net of effects of acquisition:		
Account receivable	(5,227,000)	(883,000)
Other current assets	568,000	(84,000)
Prepaid expenses	346,000	64,000
Other assets	374,000	776,000
Accounts payable	(152,000)	(320,000)
Accrued expenses	704,000	792,000
Accrued salary and wages		(85,000)
Other liabilities	1,307,000	330,000
	(1,086,000)	1,467,000
Cash provided by operating activities	1,483,000	3,181,000
Investing activities		
Acquisition of business, net of cash acquired	(8,489,000)	
Payment of acquisition earn-out	(2,210,000)	(1,960,000)
Payment for purchases of property and equipment	(1,010,000)	(408,000)
Proceeds from sale of assets	8,000	84,000
Proceeds from notes receivable		18,000
Cash flows used by investing activities	(11,701,000)	(2,266,000)
Financing activities		
Credit line, net activity	8,254,000	(1,056,000)
Proceeds from debt for acquisition	3,600,000	
Payments of debt	(736,000)	(121,000)
Proceeds from issuance of equity, net	168,000	291,000

Cash flows provided (used) by financing activities	11,286,000	(886,000)
Net increase in cash and cash equivalents	1,068,000	29,000
Cash and cash equivalents, beginning of period	800,000	79,000
Cash and cash equivalents, end of period of period	\$ 1,868,000	\$ 108,000
Supplemental disclosure of noncash activities:		
Cash paid during the period for interest	\$ 238,000	\$ 79,000
Cash paid during the period for income taxes	267,000	49,000
Acquisition of assets and liabilities of Concert Group Logistics:		
Cash	671,000	
Accounts receivable purchased	5,856,000	
Prepaid expenses	95,000	
Property and equipment	415,000	
Other assets	872,000	
Goodwill and other identified intangibles	11,303,000	
Liabilities assumed	(4,704,000)	
Total purchased price	14,508,000	
Less equity issued	(4,848,000)	
Less payable issued	(500,000)	
Less cash acquired	(671,000)	
Net cash paid	\$ 8,489,000	

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

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Express-1 Expedited Solutions, Inc.
Consolidated Statement of Changes in Stockholders Equity
Nine Months Ended September 30, 2008
(Unaudited)

	Common Stock		Treasury Stock		Additional	Accumulated	
	Shares	Amount	Shares	Amount	Paid In Capital	Earnings (Deficit)	Total
Balance December 31, 2007	27,008,768	\$ 27,000	(180,000)	\$ (107,000)	\$ 21,152,000	\$ (2,870,000)	\$ 18,202,000
Issuance of stock for exercise of warrants	406,450				168,000		168,000
Issuance of common stock	4,800,000	5,000			4,843,000		4,848,000
Stock option expense					135,000		135,000
Net income						2,569,000	2,569,000
Balance September 30, 2008	32,215,218	\$ 32,000	(180,000)	\$ (107,000)	\$ 26,298,000	\$ (301,000)	\$ 25,922,000

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

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Express-1 Expedited Solutions, Inc.
Notes to Consolidated Financial Statements
Three and Nine Months Ended September 30, 2008 and 2007
(Unaudited)

1. Significant Accounting Principles

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Express-1 Expedited Solutions, Inc. (we , us , our or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and in accordance with the instructions to Form 10-Q. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. However, we believe that the disclosures contained herein are adequate to make the information presented not misleading.

The financial statements reflect, in our opinion, all material adjustments (which include only normal recurring adjustments) necessary to fairly present our financial position at September 30, 2008 and December 31, 2007 and results of operations for the three and nine-month periods ended September 30, 2008 and 2007. The preparation of the financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information and actual results could differ materially from those estimates.

These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended December 31, 2007 included in our Annual Report on Form 10-K as filed with the SEC and available on the SEC 's website (www.sec.gov). Results of operations in interim periods are not necessarily indicative of results to be expected for a full year.

Revenue Recognition

Within the Company 's Express-1, Express-1 Dedicated and Bounce Logistics business units, revenue is recognized primarily at the point in time delivery is completed on the freight shipments it handles; with related costs of delivery being accrued as incurred and expensed within the same period in which the associated revenue is recognized. For these business units, the Company uses the following supporting criteria to determine revenue has been earned and should be recognized: i) persuasive evidence that an arrangement exists, ii) services have been rendered, iii) the sales price is fixed and determinable and iv) collectability is reasonably assured.

Within its Concert Group Logistics business unit, the Company utilizes an alternative point in time to recognize revenue. Concert Group Logistics revenue and associated operating expenses are recognized on the date the freight is picked up from the shipper. This alternative method of revenue recognition is not the preferred method of revenue recognition as prescribed within Financial Accounting Standards Board (FASB) Emerging Issues Task Force Issue No. 91-9 *Revenue and Expense Recognition for Freight Services in Progress* (EITF N. 91-9). This alternative method recognizes revenue and associated expenses prior to the point in time that all services are completed. The use of this method does not result in a material difference from one of the more preferred methods as identified in EITF No. 91-9. The Company has evaluated the impact of this alternative method on its consolidated financial statements and concluded that the impact is immaterial to the financial statements.

Revenue is reported by the Company on a gross basis in accordance with release 99-19 from the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB), *Reporting Revenue Costs as a Principal versus Net as an Agent*. The following facts justify our position of reporting revenue on a gross basis:

The Company is the primary obligor and is responsible for providing the service desired by the customer.

The customer holds the Company responsible for fulfillment including the acceptability of the service (Requirements may include, for example, on-time delivery, handling freight loss and damage claims, establishing pick-up and delivery times, and tracing shipments in transit.).

The Company has discretion in setting sales prices and as a result, its earnings vary.

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The Company has discretion to select its drivers, contractors or other transportation providers (collectively, service providers) from among thousands of alternatives, and

The Company bears credit risk for all of its receivables.

We believe that these factors support our position of reporting revenue on a gross basis.

Stock-Based Compensation

The Company accounts for share-based compensation in accordance with Statement of Financial Accounting Standard (SFAS) Number 123R, *Share-Based Payment*, which was adopted January 1, 2006, utilizing the modified prospective method.

The Company has in place a stock option plan approved by the shareholders for 5,600,000 shares of its common stock. Through the plan, the Company offers stock options to employees and directors which assists in the recruitment of these individuals. Under the plan, the Company may also grant restricted stock awards, subject to the satisfaction by the recipient of certain conditions and enumerated in the specific restricted stock grant.

Options generally become fully vested three to five years from the date of grant and expire five to ten years from the grant date. During the nine-month period ended September 30, 2008, the Company granted 385,000 options to purchase shares of its common stock pursuant to its stock option plan as amended, respectively. As of September 30, 2008, the Company had 2,248,000 shares available for future stock option grants under its existing plan.

The weighted-average fair value of each stock option recorded in expense for the three and nine-month periods ended September 30, 2008 and 2007 was estimated on the date of grant using the Black-Scholes option pricing model and amortized over the vesting period of the underlying options. The Company has used one grouping for the assumptions, as its option grants are primarily basic with similar characteristics. The expected term of options granted has been derived based upon the Company's history of actual exercise behavior and represents the period of time that options granted are expected to be outstanding. Historical data was also used to estimate option exercises and employee terminations. Estimated volatility is based upon the Company's historical market price at consistent points in a period equal to the expected life of the options. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and the dividend yield is zero. The assumptions outlined in the table below were utilized in the calculations of compensation expense from option grants in the reporting periods reflected.

	Nine Months Ended September 30,	
	2008	2007
Risk-free interest rate	2.00%	5.00%
Expected life	6.0 Years	6.0 Years
Expected volatility	35%	35%
Expected dividend yield	none	none
Grant date fair value	\$0.38	\$0.62

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The following table summarizes the stock option activity for the nine-month period ended September 30, 2008:

	Options and Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2007	11,768,886	\$ 1.47	2.2 Years
Warrants granted	31,540	1.25	
Warrants expired/cancelled	(4,318,739)	1.44	
Warrants exercised	(1,007,997)	1.04	
Options granted	385,000	1.07	
Options expired/cancelled			
Options exercised			
Outstanding at September 30, 2008	6,858,690	\$ 1.53	3.4 Years
Outstanding exercisable at September 30, 2008	6,121,405	\$ 1.56	2.8 Years

Of the 1,007,997 warrants exercised during the nine-month period ended September 30, 2008, 759,300 warrants were exercised cashlessly by the warrant holder, per the terms of the original warrant issued. These warrants had an exercise price of \$1.00 per share, and the Company issued 179,682 shares of its common stock in return for the warrants

As of September 30, 2008, the Company had approximately \$264,000 of unrecognized compensation cost related to non-vested share-based compensation that is anticipated to be recognized over a weighted average period of approximately 1.0 years. Estimated remaining compensation expense related to existing share-based plans is \$55,000, \$155,000, \$46,000 and \$8,000 for the years ended December 31, 2008, 2009, 2010, 2011 and thereafter, respectively.

At September 30, 2008, the aggregate intrinsic value of warrants and options outstanding was \$10,495,000 and the aggregate intrinsic value of options exercisable was \$9,577,000. Holders of warrants in the Company's stock exercised 1,007,997 warrants during the nine months ended September 30, 2008 and the Company received approximately \$168,000 in cash from these transactions. The total fair value of options vested during the same three month period was approximately \$62,000.

Use of Estimates

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company reviews its estimates, including but not limited to, purchased transportation, outstanding insurance claims, other accrued expenses, recoverability of long-lived assets, recoverability of prepaid expenses, and allowance for doubtful accounts, on a regular basis and makes adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed and adjustments are made as information is available. Management believes that these estimates are reasonable and each has been discussed with the audit committee; however, actual results could differ from these estimates.

Reclassifications

Certain prior year amounts shown in the accompanying consolidated financial statements have been reclassified to conform to the 2008 presentation. These reclassifications did not have any effect on total assets, total liabilities, total stockholders' equity or net income.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and, on occasion, short term investments. The Company considers all highly liquid instruments purchased with a remaining maturity of less than three months at the time of purchase as

cash equivalents.

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Taxes on income are provided in accordance with SFAS No. 109, *Accounting for 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 basis of particular assets and liabilities, and the tax effects of net operating loss and capital loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized as income or expense in the period that included the enactment date. 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 has evaluated its tax position and concluded no valuation allowance on its deferred tax assets is required, as of September 30, 2008. The Company had gross federal net operating loss carry forwards of approximately \$5,400,000 as of December 31, 2007. Based upon the pre-tax income reported in the first nine months of 2008, the Company estimates these loss carry forwards have been reduced to approximately \$1,500,000 through September 30, 2008.

Effective January 01, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation Number 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB statement number 109*. The company recognized no adjustments in its tax liability as a result of the adoption of FIN 48.

Goodwill

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 requires an annual impairment test for goodwill and intangible assets with indefinite lives. Under the provisions of SFAS No. 142, the first step of the impairment test requires that the Company determine the fair value of each reporting unit, and compare the fair value to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform a second more detailed impairment assessment. The second impairment assessment involves allocating the reporting unit's fair value to all of its recognized and unrecognized assets and liabilities in order to determine the implied fair value of the reporting unit's goodwill as of the assessment date. The implied fair value of the reporting unit's goodwill is then compared to the carrying amount of goodwill to quantify an impairment charge as of the assessment date. The Company performed impairment testing during the third quarter and determined that no impairment existed as of September 30, 2008. In the future, the Company will perform the annual test during its fiscal third quarter unless events or circumstances indicate impairment of the goodwill may have occurred before that time.

The Company added \$8,303,000 of goodwill during the nine months ended September 30, 2008, as a result of the acquisition of certain assets from Concert Group Logistics, LLC. The Company expects to finalize the valuation of these purchased assets in the fourth quarter of 2008. Any change in the allocation of goodwill and intangible assets would be measured in the fourth quarter of 2008.

Identified Intangible Assets

The Company follows the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which establishes accounting standards for the impairment of long-lived assets such as property, plant and equipment and intangible assets subject to amortization. The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that 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. During the three and nine-month periods ended September 30, 2008, there was no impairment of intangible assets.

The Company added \$3,000,000 of identified intangible assets during the nine months ended September 30, 2008, based upon the acquisition of certain assets from Concert Group Logistics, LLC. The Company expects to finalize the valuation of these purchased

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assets in the fourth quarter of 2008. Any change in the amount of identified intangible assets will be measured in the fourth quarter of 2008. Pending the completion of the valuation by the Company in the fourth quarter of 2008, the Company has amortized the intangible assets over a range of lives ranging from 3-15 years. In the quarter ended September 30, 2008, the Company recorded \$53,000 of amortization expense related to these assets. The amortization expense for fiscal 2008 through September 30, 2008 for these purchased assets equals \$153,000.

Other Long-Term Assets

Other long-term assets primarily consist of balances representing various deposits, and the long-term portion of the Company's non-qualified deferred compensation plan. Also included within this account classification are incentive payments to independent station owners within the Concert Group Logistics network. These payments are made by Concert Group Logistics to certain station owners as an incentive to join the network. These amounts are amortized over the life of each independent station contract and the unamortized portion is recoverable in the event of default under the terms of the agreements.

Estimated Fair Value of Financial Instruments

The aggregated net fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and cash equivalents, receivables, payables, accrued expenses and short-term borrowings. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand. The fair value of the Company's debt is estimated based upon the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of similar maturities.

Earnings Per Share

Earnings per common share are computed in accordance with SFAS No. 128, *Earnings Per Share*, which requires companies to present basic earnings per share and diluted earnings per share.

Basic Earnings per Share Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. The numerators, denominators and basic earnings per share are outlined in the table below.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income	\$ 1,152,000	\$ 499,000	\$ 2,569,000	\$ 1,714,000
Basic weighted shares outstanding	31,949,262	26,737,547	31,241,644	26,629,119
Basic earnings per share	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.06

Diluted Earnings per Share Diluted earnings per common share are computed by dividing net income by the combined weighted average number of shares of common stock outstanding and dilutive options outstanding during the period. The numerators, denominators and diluted earnings per share are outlined in the table below.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income	\$ 1,152,000	\$ 499,000	\$ 2,569,000	\$ 1,714,000
Basic weighted shares outstanding	31,949,262	26,737,547	31,241,644	26,629,119
Dilutive options and warrants	369,733	584,093	299,043	720,339
Diluted weighted shares outstanding	32,318,995	27,321,640	31,540,687	27,349,458
Diluted earnings per share	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.06

Stock and Warrants Granted During the nine-month period ended September 30, 2008, the Company issued 5,206,450 shares of its common stock, granted 31,540 warrants to the holders of convertible securities originally issued during 2003, and issued 385,000 options to purchase stock to members of management and its Board of

Directors. Of the stock issued, 4,800,000 shares were

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issued in conjunction with the purchase of Concert Group Logistics, and 406,450 shares were issued in conjunction with the exercise of warrants for the Company's common stock. The 31,540 warrants issued carried a weighted average exercise price of \$1.25 per share and a maturity date of July 2008. Various holders of warra