

FORM 10-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended December 31, 2005.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission File No. 1-8129.

US 1 INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Indiana 95-3585609
(State of Incorporation) (I.R.S. Employer Identification No.)

1000 Colfax, Gary, Indiana 46406
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (219) 977-5225

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, no par value	None

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 X

Indicate by check mark if the registrant is not required to file reports pursuant to section 13 or 15(d) of the Securities Act.

Yes ___ No X

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 X 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.

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

On March 21, 2006, there were 12,018,224 shares of registrant's common stock outstanding, and the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$9,464,259. For purposes of the foregoing statement, directors, officers and greater than 5% shareholders of the registrant have been assumed to be affiliates.

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SIGNATURES

PART 1

Item 1. Business

The registrant, US 1 Industries, Inc., is a holding company that owns subsidiary operating companies, most of which are interstate trucking companies operating in 48 states. For descriptive purposes herein, US 1 Industries, Inc. may hereinafter be referred to, together with its subsidiaries, as "US 1" or the "Company". The Company's business consists principally of truckload operations, for which the Company obtains a significant percentage of its business through independent agents, who then arrange with independent truckers to haul the freight to the desired destination.

US 1 was incorporated in California under the name Transcon Incorporated on March 3, 1981. In March 1994, the Company changed its name to US 1 Industries, Inc. In February 1995, the Company was merged with an Indiana corporation for purposes of re-incorporation under the laws of the state of Indiana. The Company's principal subsidiaries consist of Antler Transport, Inc., Blue and Grey Transport, Inc., Blue and Grey Brokerage, Inc., Carolina National Logistics, Inc., Carolina National Transportation, Inc., Friendly Transport, Inc., Five Star Transport, Inc., Keystone Logistics, Inc., Unity Logistics Inc., Gulf Line Brokerage, Inc., Gulf Line Transportation, Inc., Keystone Lines, Inc., Cam Transport, Inc., Transport Leasing, Inc., Harbor Bridge Intermodal, Inc., Patriot Logistics, Inc., US1 Logistics, Inc., and TC Services, Inc. Most of these subsidiaries operate under authority granted by the United States Department of Transportation (the "DOT") and various state agencies. The Company's operating subsidiaries generally maintain separate offices, have their own management teams, officers and directors, and are run independently of the parent and each other.

Operations

The Company, through its subsidiaries, carries virtually all forms of freight transported by truck, including specialized trucking services such as containerized, refrigerated, and flatbed transportation.

The Company, through its subsidiaries, is primarily a non-asset based business, contracting with independent truckers who generally own the trucks they drive and independent agents who own the terminals from which they operate. The Company pays the independent truckers and agents a percentage of the revenue received from customers for the transportation of goods. The expenses related to the operation of the trucks are the responsibility of the independent contractors and the expenses related to the operation of the terminals are the responsibility of the agents. Certain operations of the Company also subcontract ("broker") freight loads to other unaffiliated transportation companies. Consequently, short-term fluctuations in operating activity have less of an impact on the Company's net income than they have on the net income of truck transportation companies that bear substantially all of the fixed cost associated with the ownership of the trucks. Like other truck transportation companies, however, US 1 Industries' revenues are affected by competition and the state of the economy.

In 2003, the operation known as Patriot Logistics, Inc. began using employees to staff the terminals rather than independent sales agent. This operation accounted for approximately 27% and 23% of the Company's consolidated revenues in 2005 and 2004, respectively.

Marketing and Customers

The Company, through its subsidiaries, conducts the majority of its business through a network of independent agents who are in regular contact with shippers at the local level. The agents have facilities and personnel to monitor and coordinate shipments and respond to shippers' needs in a timely manner.

These agents are typically paid a commission of 6% to 13% of the Company's revenues from the agents' trucking operations.

During 2005, the Company utilized the services of approximately 68 agents. No agent accounted for more than 10% of revenue during 2005. One agent accounted for 10.3%, and 11.3% of the Company's revenue for the years ended December 31, 2004, and 2003, respectively. Otherwise, no other agent accounted for more than 10% of revenue during any of these years. The Company shipped freight for approximately 1,000 customers in 2005, none of which accounted for more than 10% of the Company's revenues.

Independent Contractors

The independent contractors (persons who own the trucks) used by the Company must enter into standard equipment operating agreements. The agreements provide that independent contractors must bear many of the costs of operations, including drivers' compensation, maintenance costs, fuel costs, collision insurance, taxes related to the ownership and operation of the vehicle, licenses, and permits. These independent contractors are paid 65% to 78% of the charges billed to the customer. The Company requires independent contractors to maintain their equipment to standards established by the DOT, and the drivers are subject to qualification and training procedures established by the DOT. The Company is also required to conduct random drug testing, enforce hours of service requirements, and monitor maintenance of vehicles.

Employees

At December 31, 2005, the Company, through its subsidiaries, had approximately 98 full-time employees. The Company's employees are not covered by a collective bargaining agreement.

Competition

The trucking industry is highly competitive. The Company competes for customers primarily with other nationwide carriers, some of which have company-owned equipment and company drivers, and many of which have greater volume and financial resources. The Company also competes with private carriage conducted by existing and potential customers. In addition, the Company competes with other modes of transportation including rail.

The Company also faces competition for the services of independent trucking contractors and agents. Agents routinely do business with a number of carriers on an ongoing basis. The Company has attempted to develop a strong sales agent network by maintaining a policy of prompt payment for services rendered and providing advanced computer systems.

Competition is based on several factors such as cost, timely availability of equipment, and quality of service.

Insurance

US 1's subsidiary trucking companies purchase liability insurance coverage of up to \$1 million per occurrence with a \$5,000 to \$50,000 deductible for the operation of the trucks. They also buy cargo insurance coverage of up to \$250,000 per occurrence with up to a \$50,000 deductible. The companies also purchase a commercial general liability policy with a limit of \$2,000,000 combined single limit and no deductible. The current insurance market is volatile with significant rate changes that could adversely affect the cost and availability of coverage. In addition, the insurance coverage that the companies purchase may, given the recent trend toward exorbitant jury verdicts, not be sufficient to cover losses experienced by the companies.

One of the Company's insurance providers, American Inter-Fidelity Exchange (AIFE), is managed by a director of the Company. The Company has an investment of \$126,461 in AIFE. AIFE provides auto liability and cargo insurance to several subsidiaries of the Company as well as other entities, some of which are related to the Company by common ownership. For the years ended December 31, 2005, 2004 and 2003, cash paid to AIFE for insurance premiums and deductibles was approximately \$4,787,000, \$5,673,000, and \$5,373,000, respectively.

The Company exercises no control over the operations of AIFE. As a result, the Company recorded its investment in AIFE under the cost method of accounting for each of the three years ended December 31, 2005, 2004, and 2003. Under the cost method, the investment in AIFE is reflected at its original amount and income is recognized only to the extent of dividends paid by AIFE. There were no dividends declared by AIFE for the years ended December 31, 2005, 2004 and 2003.

If AIFE incurs a net loss, the loss may be allocated to the various policyholders based on each policyholder's premium as a percentage of the total premiums of AIFE for the related period. There has been no such loss assessment for each of the three years ended December 31, 2005, 2004, and 2003. For fiscal 2005, the Company accounted for approximately 85% of the total premium revenue of AIFE. At December 31, 2004, AIFE had a net worth of approximately \$6.9 million, part of which is attributable to other policyholders of AIFE.

In addition, the Chief Executive Officer and Chief Financial Officer, as well as another director of the Company, are the sole shareholders of American Inter-Fidelity Corporation (AIFC), which serves as the attorney in fact of AIFE. AIFC is entitled to receive a management fee from AIFE. AIFE incurred management fees of approximately \$300,000, \$405,000, and \$354,000 for the years ended December 31, 2005, 2004, and 2003, respectively. These management fees are available to be paid as dividends to these officers and directors of the Company.

Independent Contractor Status

From time to time, various legislative or regulatory proposals are introduced at the federal or state levels to change the status of independent contractors' classification to employees for either employment tax purposes (withholding, social security, Medicare and unemployment taxes) or other benefit purposes. Currently, most individuals are classified as employees or independent contractors for employment tax purposes based on 20 "common-law" factors rather than any definition found in the Internal Revenue Code or the

regulations promulgated thereunder. In addition, under Section 530 of the Revenue Act of 1978, taxpayers that meet certain criteria may treat similarly situated workers as employees, if they have received a ruling from the **Independent Contractor Status (continued)**

Internal Revenue Service or a court decision affirming their treatment, or if they are following a long-standing recognized practice.

Although management is unaware of any proposals currently pending to change the employee/independent contractor classification, the costs associated with potential changes, if any, in the employee/independent contractor classification could adversely affect the Company's results of operations if the Company were unable to reflect them in its fee arrangements with the independent contractors and agents or in the prices charged to its customers.

Regulation

The Company, through its subsidiaries is a common and contract motor carrier regulated by the DOT and various state agencies. Among other things, this regulation imposes requirements on the Company with regard to the agreements that it has with owner-operators and the terms of payment to them. The Company's compliance with these regulations is the subject of the litigation described in Item 3. Otherwise, management does not believe that regulation by the DOT or by the states, currently has a material effect on the Company's operations. The Company's independent contractor drivers also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing and hours of service.

The Company and its subsidiaries are subject to various federal, state, and local environmental laws and regulations, implemented principally by the Environmental Protection Agency (EPA) and similar state regulatory agencies, governing the management of hazardous wastes, other discharge of pollutants into the air and surface and underground waters, and the disposal of certain substances. Management believes that its operations are in compliance with current laws and regulations and does not know of any existing condition (except as noted in the Environmental Regulation section below) that would cause compliance with applicable environmental regulations to have a material effect on the Company's earnings or competitive position.

Environmental Regulation

The Company's subsidiary, TC Services, Inc. owns property in Phoenix, Arizona that was formerly leased to Transcon Lines as a terminal facility, where soil contamination problems existed or are known to exist currently. State environmental authorities notified the Company of potential soil contamination from underground storage tanks, and management has been working with the regulatory authorities to implement the required remediation. The underground storage tanks were removed from the Phoenix facility in February 1994. Currently the Arizona environmental authorities are requiring further testing of the property. The Company believes it is in substantial compliance with state and federal environmental regulations relative to the trucking business. However, the Company is working with regulatory officials to eliminate any sources of contamination and determine the extent of existing problems. Estimates of the costs to complete the future remediation of approximately \$141,000 are considered in the land valuation allowance in the Company's consolidated financial statements at December 31, 2005 and 2004.

Item 1A. Risk Factors

The Company makes forward-looking statements in this document and in other materials it files with the SEC or otherwise makes public. In addition, senior management of the Company might make forward-looking statements orally to analysts, investors, the media and others. Statements concerning the Company's future operations, prospects, strategies, financial condition, future economic performance (including growth and earnings) and demand for our services, and other statements of the Company's plans, beliefs, or expectations, are forward-looking statements. In some cases these statements are identifiable through the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" and similar expressions. You are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements the Company makes are not guarantees of future performance and are subject to various assumptions, risks, and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. These factors include, among others, those set forth in the following paragraphs and in the other documents that we file with the SEC.

The Company expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Factors That May Affect Future Results and/or Forward- Looking Statements

Insurance Limits. The Company currently purchases insurance coverage for commercial trucking claims with limits of up to \$1,000,000 per occurrence. Liability associated with accidents in the trucking industry is severe (sometimes in excess of \$1,000,000) and occurrences are unpredictable. If a claim for an amount in excess of \$1,000,000 was successful, it could have a material adverse effect on US 1 and its subsidiaries, including its results of operations and financial condition.

Increased severity or frequency of accidents and other claims. Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. While the Company generally retains deductibles of under \$50,000, a material increase in the frequency or severity of accidents, or cargo claims or the unfavorable development of existing claims could have a material adverse effect through increased insurance costs on US 1 and its subsidiaries, which would adversely affect its results of operations and financial condition.

Dependence on third-party insurance companies. The cost of insurance coverage for commercial trucking varies dramatically, but is expensive. Further, the ability of US 1 to purchase coverage for losses in excess of \$1,000,000 is very limited. US 1 relies on AIFE for about 70% of its insurance. AIFE is controlled by Mike Kibler and Harold Antonson and is managed by Lex Vendetti, all of whom are directors of the Company. AIFE, in turn, retains some of the risk and reinsures the remainder. US 1's access to affordable insurance other than through AIFE historically has been quite limited. Should the premiums charged by AIFE increase significantly, or should coverage be limited in any way or be unavailable, it could have a material adverse affect on the Company

and its results of operations and financial condition.

Factors That May Affect Future Results and/or Forward- Looking Statements (continued)

Dependence on independent commission agents. As noted above in Item 1, "Business," the Company markets its services primarily through independent commission agents. Currently the Company has a network of 68 agents. During 2005, 55 of these agents generated revenue for US 1 of at least \$1,000,000 and one agent generated approximately \$11,000,000, or 7% of US 1's total revenue. The Company competes with motor carriers and other third parties for the services of these independent agents. US 1's contracts with these agents typically are terminable upon 30-days notice by either party and do not restrict the ability of a former agent to compete with US 1 following a termination. The loss of some of the Company's agents or a significant decrease in volume generated by these agents could have a materially adverse effect on US 1, including its results of operations and revenue.

Dependence on third-party owner operators. As noted above in Item 1, "Business," US 1 does not generally own trucks and relies on owner/operators who operate as independent contractors and unrelated trucking companies to transport freight for its customers. US 1 competes with other motor carriers and third parties for the services of owner/operators. All the freight hauled by the Company is by these owner/operators. A significant decrease in available capacity provided by either of these parties could have a material adverse effect on US 1, including its results of operations and revenue.

Dependence on key personnel. The Company is dependent on the services of its officers, particularly the officers of its subsidiaries. All of these officers are free to leave the Company and start competing operations. None have agreed to any covenant not to compete. Given the nature of the relationship with the agents and owner/operators, as described above, it would be relatively easy for the Company to loose a substantial amount of business if one or more of these key people left and set up a competing operation. This in turn could have a material adverse effect on the Company, including its results of operations and revenue.

Disruptions or failures in the Company's computer systems. The Company's information technology systems used in connection with its operations are located in Chicago, IL and Gary, IN. US 1 relies in the regular course of business on the proper operation of its information technology systems to link its network of customers, agents and owner operators. These systems in turn are dependent on operation of the Internet. Any significant disruption or failure of these systems could significantly disrupt the Company's operations and impose significant costs on the Company.

Status of Owner/Operators. From time to time, various legislative or regulatory proposals are introduced at the federal or state levels to change the status of owner/operators' classification to employees (from independent contractors) for either employment tax purposes (withholding, social security, Medicare and unemployment taxes) or other benefit purposes. Currently, most individuals are classified as employees or independent contractors for employment tax purposes based on 20 "common-law" factors rather than any definition found in the Internal Revenue Code or the regulations there under. In addition, under Section 530 of the Revenue Act of 1978, taxpayers that meet certain criteria may treat similarly situated workers as employees, if they

have received a ruling from the Internal Revenue Service or a court decision affirming their treatment, or if they are following a long-standing recognized practice. US 1 treats its owner/operators as independent contractors. The classification of owner/operators as independent contractors does require significant analysis of the facts relating to their service to the Company.

Factors That May Affect Future Results and/or Forward- Looking Statements (continued)

Although management is unaware of any proposals currently pending to change the employee/independent contractor classification, the costs associated with potential changes, if any, in the employee/independent contractor classification could adversely affect the Company's results of operations if the Company were unable to reflect them in its fee arrangements with the owner/operators and agents or in the prices charged to its customers.

Financial Condition. Relative to the size of the Company's business (2005 operating revenue of \$167 million), US 1 has relatively little shareholders' equity (\$7.9 million as of December 31, 2005). As a result, should US 1 incur significant losses from operations, it may not have the financial resources to endure those losses. Losses could occur for any number of reasons, including uninsured or under-insured liability claims, increases in costs, or decreases in operating revenue, whether as a result of the loss of agent, owner operators or otherwise.

Credit Facility. The primary source of liquidity for US 1 is its revolving credit facility. While this facility has provided all needed liquidity in the recent past, there have been times in the history of US 1 where it was not adequate. In addition, this facility contains both affirmative and negative covenants that must be satisfied. Were the Company to fail to satisfy those covenants, it no longer would be entitled to borrow under the facility and there can be no assurances that an alternative borrowing facility would be available.

Item 1b. Unresolved Staff Comments

None.

Item 2. Properties

The Company's administrative offices are at 1000 Colfax, Gary, Indiana. The Company leases its administrative offices of approximately 5,000 square feet on a month-to-month basis for \$4,000 per month. Patriot Logistics, Inc. leases office space in Fort Smith, AK of approximately 13,250 square feet on a month-to-month basis for \$3,216. Both Companies lease their space from Mr. Michael E. Kibler, President, Chief Executive Officer and a director of the Company, and Mr. Harold Antonson, Treasurer, Chief Financial Officer and a director of the Company.

In addition, the Company's subsidiaries lease office space and land in several locations throughout the United States, as summarized below:

<u>Subsidiary</u>	<u>City,State</u>	<u>Approximate Square Feet</u>	<u>Monthly Rent</u>	<u>Lease Expiration</u>
Carolina National Transportation, Inc.	Mt. Pleasant, SC	6,280	\$ 9,506	June 30, 2011
Keystone Logistics, Inc.	South bend, IN	4,400	3,148	month to month
CAM Transport, Inc.	Gulfport, MS	1,200	700	Oct. 1, 2006
Patriot Logistics, Inc	Atlanta, GA	48,750	1,788	Aug. 31, 2008
Patriot Logistics, Inc	Houston, TX	33,000	9,000	Dec. 31, 2006

Patriot Logistics, Inc.	Laredo, TX	400	1,100	Dec. 31, 2006
Patriot Logistics, Inc.	Jacksonville, FL	1,500	5,664	Sept 30, 2007
Patriot Logistics, Inc.	Lathrop, CA	1,000	1,200	month to month
Patriot Logistics, Inc.	Lynwood, CA	18,704	8,416	July 7, 2007
Patriot Logistics, Inc.	Milpitas, CA	1,278	2,300	June 30, 2006
Patriot Logistics, Inc.	Houston, TX	4,050	2,005	Dec. 14, 2007
Transport Leasing, Inc.	Ft. Smith, AK	1,000	350	month to month
Transport Leasing, Inc.	Calhoun, GA	8.4 acres	7,500	July 14, 2007
Patriot Logistics, Inc.	Kansas City, MO	432	1,500	month to month
Patriot Logistics, Inc.	Charlotte, NC	500	2,500	May 31, 2009

Item 2. Properties (continued)

<u>Subsidiary</u>	<u>City, State</u>	<u>Approximate Square Feet</u>	<u>Monthly Rent</u>	<u>Lease Expiration</u>
Patriot Logistics, Inc.	Irving, TX	1,440	1,196	month to month
Patriot Logistics, Inc.	Fontana, CA	4,000	5,200	April 16, 2006
Patriot Logistics, Inc.	Ft. Smith, AK	13,250	3,216	month to month
Patriot Logistics, Inc.	Dallas, TX	5.0 acres	4,000	Aug 1, 2006
US1 Logistics, Inc.	Jacksonville, FL	150	1,682	month to month

Management believes that the Company's leased properties are adequate for its current needs and can be retained or replaced at acceptable cost.

Item 3. Legal Proceedings

On March 16, 2005, a jury entered a verdict against a subsidiary of the Company, Cam Transport, Inc. ("CAM") in the amount of \$1.7 million in a personal injury case relating to an auto accident which occurred on March 22, 2001 entitled Lina Bennett vs. Toby M. Ridgeway and Cam Transport, Inc. in the Court of Common Pleas of Allendale County, South Carolina. As a result, the Company recorded a charge of \$1.7 million related to this litigation for the year-ended December 31, 2004. This amount is included in accrued legal settlements at December 31, 2004.

CAM maintains auto liability insurance up to a maximum of \$1 million per occurrence for litigation related to such accidents. However, CAM's insurer, American Inter-fidelity Exchange, initially filed a declaratory judgment action asserting that it was not obligated to provide insurance coverage on this matter. As a result of the uncertainty regarding the insurance coverage for this claim, the expense recorded for this litigation was not initially reduced by any expected amounts to be recovered from the insurance company and there was no receivable established at December 31, 2004 for the amount which could possibly be covered under the auto liability policy.

During the third quarter of 2005, the case was settled for \$750,000 and the Company's insurer, American Inter-Fidelity Exchange agreed to pay the full amount of the settlement. As a result, the Company has recorded a recovery on this litigation of \$1.7 million for the year ended December 31, 2005.

On November 4, 2005, a punitive class action law suit entitled Coleman vs. Patriot Logistics, Inc., Case No. 3:05-CV-1152-20MMH, was filed against a subsidiary of the Company in the United States District Court for the Middle District of Florida, Jacksonville Division. In general, the suit, which was brought on behalf of independent owner-operators who do business with the defendant, alleges that the vehicle lease agreements between the defendant and the plaintiffs violated applicable law and that the defendant underpaid, or overcharged, the plaintiffs under those vehicle leases. The Company is unable to assess the outcome of this case at this time. The Company is vigorously contesting the lawsuit.

The Company and its subsidiaries are involved in other litigation in the

normal course of its business. Management intends to vigorously defend these cases. In the opinion of management, the other litigation now pending will not have a material adverse affect on the consolidated financial statements of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

No Matters were submitted to a vote of Security Holders during the fourth quarter of 2005.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Shares of Common Stock of the Company are listed and traded on the NASD Electronic "bulletin board market" under the symbol "USOO.OB".

The following table sets forth for the periods indicated. The high and low bid prices per share of the Common Stock as reported from quotations provided by North American Quotations and reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not represent actual transactions.

<u>Calendar Year</u>	<u>High</u>	<u>Low</u>
<u>2005</u>		
First Quarter	1.65	.81
Second Quarter	1.26	.73
Third Quarter	1.40	1.04
Fourth Quarter	1.35	.91
<u>2004</u>		
First Quarter	1.25	.81
Second Quarter	1.23	.71
Third Quarter	.84	.47
Fourth Quarter	1.07	.59

As of February 22, 2006 there were approximately 3,083 holders of record of the Company's Common Stock.

The Company has not paid and, for the foreseeable future, does not anticipate paying any cash dividends on its Common Stock. The Company's current credit agreement prohibits the payment of dividends.

The Company does not currently have any active equity compensation plans or arrangements.

There have been no purchases made, by or on behalf of the Company, of the Company's equity securities as of December 31, 2005.

Item 6. Selected Financial Data

The selected consolidated financial data presented below have been derived from the Company's consolidated financial statements. The consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 have been audited by the Company's registered independent certified public accountants, whose report on such consolidated financial statements are included herein under Item 8. The information set forth below should be read

in conjunction with the consolidated financial statements and notes thereto under Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 6. Selected Financial Data (continued)

(in thousands, except shares and per share data)

	<u>2005</u>	Fiscal Year Ended December 31,			<u>2001</u>
		<u>2004</u>	<u>2003</u>	<u>2002</u>	
STATEMENT OF OPERATIONS DATA:					
Operating revenues	\$166,648	\$143,313	\$121,747	\$104,186	\$72,068
Purchased transportation	122,268	105,538	89,699	77,071	55,609
Commissions	17,243	14,294	12,348	10,278	6,597
Other operating costs and expenses	24,360	23,425	17,977	14,435	8,051
Recovery of litigation reserve	1,700	0	0	0	0
Operating income	4,477	56	1,723	2,402	1,811
Interest expense	611	466	493	550	712
Minority interest expense	35	28	155	118	0
Income before income taxes	4,171	101	1,393	1,684	1,168
Income tax (expense) benefit	(54)	(86)	0	0	400
Net income	4,117	15	1,393	1,684	1,568
Net Income available to common shares \$	4,117	\$ 15	\$ 1,393	\$ 2,237	\$ 1,465
Income per common share					
Net Income					
Basic	\$0.34	\$0.00	\$0.12	\$0.20	\$0.14
Diluted	\$0.34	\$0.00	\$0.11	\$0.20	\$0.14
Weighted average shares outstanding:					
Basic	12,018,224	11,618,224	11,618,224	11,075,758	10,618,224
Diluted	12,169,739	11,964,174	11,852,507	11,075,758	10,618,224

(in thousands)

	<u>2005</u>	Fiscal Year Ended December 31,			<u>2001</u>
		<u>2004</u>	<u>2003</u>	<u>2002</u>	
BALANCE SHEET DATA:					
Total assets	\$33,290	\$26,120	\$22,077	\$21,444	\$11,891
Long-term debt, including					
current portion	2,770	2,890	3,371	4,311	4,660
Working capital	9,508	5,145	4,888	2,966	2,039
Shareholders'equity (deficiency)	7,909	3,593	3,410	1,857	(995)
OTHER DATA:					
Cash (used in) provided by					
operating activities	(1,599)	(271)	2,419	831	(1,364)
Cash provided by (used in)					
investing activities	146	274	(128)	(157)	(1,210)
Cash (used in) provided by					

financing activities	(1,453)	(3)	(2,291)	(996)	2,895
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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

Overview

Purchased transportation represents the amount an independent contractor is paid to haul freight and is primarily based on a contractually agreed-upon percentage of revenue generated by the haul for truck capacity provided by independent contractors. Because the Company does not generally own its own trucks, purchased transportation is the largest component of the Company's operating expenses and increases or decreases in proportion to the revenue generated through independent contractors. Commissions to agents and brokers are similarly based on contractually agreed-upon percentages of revenue.

A majority of the Company's insurance expense is based on a percentage of revenue and, as a result, will increase or decrease, on a consolidated basis with the Company's revenue. Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. A material increase in the frequency or severity of accidents or the unfavorable development of existing claims could adversely affect the Company's operating income. One of the Company's subsidiaries had a substantial verdict entered against it in 2004. In 2005 the case was settled for \$750,000 and the Company's insurer, AIFE agreed to pay the full amount of the settlement. The Company recorded a recovery on this litigation of \$1.7 million. See "Item 3. Legal Proceeding".

Historically salaries, wages, fringe benefits, and other operating expenses had been principally non-variable expenses and remained relatively fixed with slight changes in relationship to revenue. However, since the Company has added certain operations, which utilize employees rather than independent agents, these non-variable expenses may be distorted in comparisons somewhat.

The following table set forth the percentage relationships of expense items to revenue for the periods indicated:

	Fiscal Years		
	2005	2004	2003
Revenue	100.0%	100.0%	100.0%
Operating expenses:			
Purchased transportation	73.4	73.6	73.7
Commissions	10.3	10.0	10.1
Insurance and claims	3.9	4.2	4.4
Litigation judgment	0.0	1.2	0.0
Salaries, wages and fringe benefits	6.4	6.3	5.6
Other operating expenses	<u>4.3</u>	<u>4.6</u>	<u>4.8</u>

Total operating expenses	<u>98.3</u>	<u>99.9</u>	<u>98.6</u>
Operating income	1.7%	0.1%	1.4%

Critical Accounting Policies and Estimates

US 1's financial statements reflect the selection and application of accounting policies, which require management to make significant estimates and assumptions. The Company believes that the following are some of the more critical judgment areas in the application of its accounting policies that currently affect its financial condition and results of operations.

Preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses and related contingent liabilities. On an on-going basis, the Company evaluates its estimates, including those related to revenues, bad debts, income taxes, contingencies, and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The Company records an allowance for doubtful accounts based on (1) specifically identified amounts that it believes to be un-collectable and (2) an additional allowance based on certain percentages of its aged receivables, which are determined based on historical experience and (3) our assessment of the general financial conditions affecting our customer base. At December 31, 2005, the allowance for doubtful accounts was \$1,365,000 or approximately 5% of total trade accounts receivable. If actual collections experience changes, revisions to the Company's allowance may be required. After reasonable attempts to collect a receivable have failed, the receivable is written off against the allowance. In addition, US 1 reviews the components of other receivables, consisting primarily of advances to drivers and agents, and writes off specifically identified amounts that it believes to be un-collectable.

Revenue for freight is recognized upon delivery. The Company accounts for its revenue in accordance with EITF 99-19, *Reporting Revenues Gross as a Principal Versus Net as an Agent*. Amounts payable for purchased transportation, commissions and insurance are accrued when incurred.

The Company's involved in various litigation matters in the normal course of business. Management evaluates the likelihood of a potential loss from the various litigation matters on a quarterly basis. When it is probable that a loss will occur from litigation and the amount of the loss can be reasonably estimated, the loss is recognized in the Company's financial statements. If a potential loss is not determined to be both probable and reasonably estimated, but there is at least a reasonable possibility that a loss may be incurred, the litigation is not recorded in the Company's financial statements but this litigation is disclosed in the footnotes of the financial statements.

The Company's subsidiaries carry insurance for auto liability, property damage, and cargo loss and damage through various programs. About 70% of the Company's liability insurance is obtained from AIFE, a related party. The Company's insurance liabilities are based upon the best information currently available and are subject to revision in future periods as additional information becomes available. Management believes it has adequately provided for insurance claims.

Critical Accounting Policies and Estimates (continued)

AIFE is managed by a director of the Company. The Company has an investment of \$126,461 in AIFE. AIFE provides auto liability, property damage, and cargo loss and damage insurance coverage to several subsidiaries of the Company as well as other entities related to the Company by common ownership. For the years ended December 31, 2005, 2004 and 2003, cash paid to AIFE for insurance premiums and deductibles was approximately \$4,787,000, \$5,673,000, and \$5,373,000, respectively.

The Company exercises no control over the operations of AIFE. As a result, the Company recorded its investment in AIFE under the cost method of accounting for each of the three years in the period ended December 31, 2005. Under the cost method, the investment in AIFE is reflected at its original amount and income is recognized only to the extent of dividends paid by AIFE. There were no dividends declared by AIFE for the years ended December 31, 2005, 2004 and 2003.

If AIFE incurs a net loss, the loss may be allocated to the various policyholders based on each policyholder's premium as a percentage of the total premiums of AIFE for the related period. There has been no such loss assessment for each of the three years ending December 31, 2005, 2004, and 2003. The subsidiaries of the Company currently account for the majority of the premiums of AIFE. For fiscal 2005, the Company accounted for approximately 85% of the total premium revenue of AIFE. At December 31, 2004, AIFE had net worth of approximately \$6.9 million, part of which is attributable to other policyholders of AIFE.

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. At December 31, 2005, the Company's deferred tax asset of approximately \$18.8 million consists principally of net operating loss carry-forwards. The Company's deferred tax asset has been reduced by a valuation allowance to the extent such benefits are not expected to be fully utilized. The Company has based its estimate of the future utilization of the net operating loss upon its estimate of future taxable income as well as the timing of expiration of the Company's net operating loss carry-forwards. Approximately 62% of the Company's net operating loss carry-forwards will expire in 2006, with substantially all of the net operating loss carry-forwards expiring by 2010.

At December 31, 2005, the valuation allowance for deferred tax assets was approximately \$17.1 million. If actual future taxable income differs, revisions to the valuation allowance and net deferred tax asset may be required.

2005 Compared to 2004

Revenue for the 2005 fiscal year was \$166.6 million, an increase of \$23.3 million, or 16.3%, over revenue for the 2004 fiscal year. The increase was attributable to the continued growth of Patriot Logistics, Inc., Keystone Logistics, Inc., and Keystone Lines, Inc. The growth of these subsidiaries is primarily attributable to the addition of new terminals and growth of existing terminals.

Purchased transportation and commission expense generally increase or decrease in proportion to the revenue generated through independent contractors. Many agents negotiate a combined percentage payable for purchased transportation and commission. The mix between the amounts of purchased transportation paid versus commissions paid may vary slightly based on agent negotiations with independent owner/operators. However, in total, commissions and purchased transportation would typically be expected to remain relatively consistent as a percentage of revenue. Purchased transportation and commissions in total averaged 83.7% of revenue in fiscal 2005 versus 83.6% of revenue in fiscal 2004.

In 2003, the operation known as Patriot Logistics, Inc. began using employees to staff the terminals rather than independent sales agent. This operation accounted for approximately 27% and 23% of the Company's consolidated revenues in 2005 and 2004, respectively.

Insurance and claims decreased in 2005 to 3.9% of revenue compared to 4.2% of revenue for 2004. A majority of the Company's insurance expense is based on a percentage of revenue and, as a result, will increase or decrease on a consolidated basis with the Company's revenue. Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. A material increase in the frequency or severity of accidents or the unfavorable development of existing claims could adversely affect the Company's operating income. The decrease of 0.3% of revenue can be attributed to the decrease of certain operations' claim activity for the year ended December 31, 2005 in comparison to that of the same period for 2004. The Company obtains a significant amount of its auto liability and cargo insurance from AIFE, an affiliated entity (see Note 5 to consolidated financial statements).

Litigation judgment decreased \$1.7 million in 2005. This decrease is the result of a settlement rendered during third quarter 2005 pertaining to a personal injury case relating to an auto accident, which occurred in March 2001 against a subsidiary of the Company, Cam Transport, Inc., in the amount of \$1.7 million. During the third quarter of 2005, the case was settled for \$750,000 and the Company's insurer, AIFE agreed to pay the full amount of the settlement. As a result, the Company has recorded a recovery on this

litigation of \$1.7 million for the fiscal year ended December 31, 2005. This case is discussed in detail under "Item 3. Legal Proceeding".

Salaries, wages and fringe benefits increased slightly to 6.4% of revenue compared to 6.2% of revenue for the same period of time in 2004. This increase can be attributed to the addition of personnel hired to accommodate the growth of expanding terminals that have not yet begun to or did not produce at their full revenue potential.

2005 Compared to 2004 (continued)

Other operating expenses decreased slightly as a percentage of revenue to 4.3% in 2005 from 4.7% in 2004. While not all operating expenses are directly variable with revenues, the increased revenue directly impacts several components of operating expenses such as bad debt expense. In addition, the Company's subsidiaries have expanded by adding new terminals and operations resulting in the addition of new locations resulting in an increase in operating expenses such as rent. Operating expenses increased \$0.5 million from \$6.7 million in 2004 to \$7.2 million in 2005. Two factors that contribute to this increase are changes in rent expense and bad debt expense. Rent expense increased by \$0.2 million from \$0.8 million for 2004 to \$1.0 million for 2005. Bad debt expense increased by \$0.2 million from \$0.8 million in 2004 to \$1.0 million in 2005.

Based on the changes in revenue and expenses discussed above, operating income increased by \$4.4 million from \$.06 million in 2004 to \$4.5 million in 2005. Included in operating income for 2005 is a \$1.7 million recovery relating to litigation. We do not anticipate any such recoveries in fiscal 2006.

Interest expense increased slightly to \$0.6 million in 2005 from \$0.5 million in 2004. This increase in interest expense is primarily attributable to the increase in interest rates in the past year. The rate on the Company's credit facility with US Bank is currently based on certain financial covenants and may range from prime to prime less .50%. An increase in the funds the Company borrowed against its line of credit during 2005 also resulted in higher interest expense. At December 31, 2005 the interest rate charged on the credit facility with US Bank was prime less .25% (7.00%). At December 31, 2004 the Company's interest rate on the credit facility with its lender was at prime (5.25%).

Other income includes income from rental property, storage and equipment usage fees. Other income decreased \$0.2 million in 2005 from 2004. This decrease was due primarily to the gain on the sale of equipment the Company incurred during 2004.

The Company also recognized minority interest expense of \$.35 million and \$.28 million relating to the minority shareholders' portion of its subsidiary, Carolina National Transportation, Inc., net income for the years ended December 31, 2005 and 2004, respectively. Carolina National Transportation, Inc., is a 60% owned subsidiary of the Company.

The Company has net operating loss carry-forwards of approximately \$24 million at December 31, 2005. These carry-forwards are available to offset

taxable income in future years and substantially all of these carry-forwards will expire in the years 2006 through 2010. Approximately 62% of the Company's net operating loss carry-forwards will expire in 2006.

As a result of the factors outlined above, net income in 2005 was \$4.1 million compared with \$.14 million in 2004.

2004 Compared to 2003

Revenue for the 2004 fiscal year was \$143.3 million, an increase of \$21.6 million, or 17.7%, over revenue for the 2003 fiscal year. The increase was attributable to the continued growth of Patriot Logistics, Inc., and Keystone Logistics, Inc. The growth of these subsidiaries is primarily attributable to the addition of new terminals and/or independent agents and independent truckers.

Purchased transportation and commission expense generally increase or decrease in proportion to the revenue generated through independent contractors. Many agents negotiate a combined percentage payable for purchased transportation and commission. The mix between the amounts of purchased transportation paid versus commissions paid may vary slightly based on agent negotiations with independent owner-operators. However, in total, commissions and purchased transportation would typically be expected to remain relatively consistent as a percentage of revenue. Purchased transportation and commissions in total averaged 83.6% of revenue in fiscal 2004 versus 83.8% of revenue in fiscal 2003.

Operations using employees rather than independent agents to coordinate shipments were 29% and 23% of consolidated revenue in fiscal 2004 and 2003, respectively. With the continued growth of such operations, a decrease in the average percentage of total commissions and purchased transportation to revenues would be expected, along with an increase in salaries. However, the Company's subsidiaries also continued to add new operations utilizing independent agents, some negotiated with higher purchased transportation and commission percentages, which has offset the expected decrease in the total of purchased transportation and commission as a percentage of revenue.

Insurance and claims decreased in 2004 to 4.2% of revenue compared to 4.4% of revenue for 2003. A majority of the Company's insurance expense is based on a percentage of revenue and, as a result, will increase or decrease on a consolidated basis with the Company's revenue. Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. A material increase in the frequency or severity of accidents or the unfavorable development of existing claims could adversely affect the Company's operating income. The decrease of 0.2% of revenue can be attributed to the decrease of certain operations' claim activity for the year ended December 31, 2004 in comparison to that of the same period for 2003. The Company obtains a significant amount of its auto liability and cargo insurance from AIFE, an affiliated entity (see Note 5 to consolidated financial statements).

Litigation judgment increased \$1.7 million in 2004. This increase is the result of a verdict entered on March 16, 2005 against a subsidiary of the Company, Cam Transport, Inc., in the amount of \$1.7 million for a personal injury case relating to an auto accident which occurred in March 2001. This case is discussed in detail under "Item 3. Legal Proceedings."

Salaries, wages and fringe benefits were 6.2% of revenue in 2004 and 5.6% in 2003. This increase of 0.6% can primarily be attributed to the addition of personnel hired to accommodate the growth of expanding terminals that have not yet begun to or did not produce at their full revenue potential.

2004 Compared to 2003 (continued)

Other operating expenses decreased slightly as a percentage of revenue to 4.7% in 2004 from 4.8% in 2003. While not all operating expenses are directly variable with revenues, the increased revenue directly impacts several components of operating expenses such as bad debt expense. In addition, the Company's subsidiaries have expanded by adding new terminals and operations resulting in the addition of new locations resulting in an increase in operating expenses such as rent. Operating expenses increased \$0.8 million from \$5.9 million in 2003 to \$6.7 million in 2004. The increase is primarily attributable to (1) a \$0.73 million increase in operating expense due specifically to the growth of two significant operations, (2) \$0.16 million increase in rent expense due to the expansion of locations, (3) \$0.06 million increase in bad debt expense, and (4) overall increase in operating expenses at other locations as volume continued to grow during 2004.

Based on the changes in revenue and expenses discussed above, operating income decreased by \$1.7 million from \$1.7 million in 2003 to \$.06 million in 2004.

Interest expense decreased slightly to \$0.47 million in 2004 from \$0.49 million in 2003. This decrease in interest expense was primarily attributable to a decrease in the funds the Company borrowed against its line of credit during 2004. The rate on the Company's revolving line of credit is currently based on certain financial covenants and may range from prime to prime less .50%. At December 31, 2004 the Company's interest rate on the loan with its lender was at prime (5.25%).

Other income includes income from rental property, storage fees, and gain on the sale of fixed assets. Other income increased \$.22 million in 2004 from 2003. This increase was due primarily to the gain on the sale of equipment.

The Company also recognized minority interest expense of \$.03 million and \$.2 million relating to the minority shareholders' portion of its subsidiary, Carolina National Transportation, Inc., net income for the years ended December 31, 2004 and 2003, respectively. Carolina National Transportation, Inc., is a 60% owned subsidiary of the Company.

The Company has net operating loss carry-forwards of approximately \$50 million at December 31, 2004. These carry-forwards are available to offset taxable income in future years and substantially all of these carry-forwards will expire in the years 2005 through 2010. Approximately 86% of the Company's net operating loss carry-forwards will expire in 2005 & 2006. At

December 31, 2004, the Company has realized a net deferred tax asset of \$1,200,000. Based on anticipated future taxable income and anticipated future usage of the net operating loss, the Company believes it is more likely than not that the net deferred tax asset will be realized. Due to the uncertainty of the remaining tax asset, a valuation allowance has been maintained for the remaining deferred tax asset at December 31, 2004.

As a result of the factors outlined above, net income in 2004 was \$14,522 compared with \$1,392,986 in 2003.

Liquidity and Capital Resources

During fiscal 2005, the Company's financial position continued to improve. The Company had shareholders' equity of \$7.9 million at December 31, 2005 compared with \$3.6 million at December 31, 2004. Working capital at December 31, 2005 was \$9.5 million compared to \$5.1 million at the end of 2004. This increase in working capital was due to continuing profitability.

Net cash (used in) provided by operating activities increased \$1,327,898 from \$270,919 for the year ended December 31, 2004 to (\$1,598,817) for the year ended December 31, 2005. The increase in net cash used in operating activities was attributable to an increase in working capital needed to fund continued growth of the Company. Accounts receivable increased \$7,088,536 due to increased revenue at several of the Company's subsidiaries. This increase was somewhat offset by an increase in accounts payable of \$2,464,739. This is due to the fact that the Company's customers typically pay 30-45 days from the invoice date while payment terms to many agents and independent owner operators are typically less than 15 days.

Net cash provided by investing activities was \$145,819 for the year ended December 31, 2005 compared to \$274,470 for the year ended December 31, 2004. This decrease was primarily the result of proceeds from the sale of certain trailers.

Net cash provided by (used in) financing activities increased \$1,456,549 from (\$3,551) for the year ended December 31, 2004 to \$1,452,998 for the year ended December 31, 2005. The increase resulted from the increase in the Company's line of credit balance due to the funding needed for the growth of the Company's existing terminals. The Company and its subsidiaries borrowed additional funds of \$1,692,998 from the revolving line of credit during 2005 versus \$628,602 in 2004. There were no principal payments of long-term debt during 2005 other than a \$120,000 payment on shareholder loans. This contrasts with 2004 during which there were \$477,624 of principal payments. Also contributing to the cash usage was a distribution to the minority interest shareholders of \$120,000 and \$154,529 for 2005 and 2004, respectively.

The Company has a \$10 million revolving line-of-credit. The maturity date of the Company's revolving line of credit is October 1, 2007. Advances under this revolving line of credit are limited to 75% of eligible accounts receivable. The interest rate is based upon certain financial covenants and may range from prime to prime less 0.50%. At December 31, 2005, the interest rate on this line of credit was at prime less .25% (7.00%). The Company's

accounts receivable, property, and other assets collateralize advances under the agreement. Availability under this line of credit was approximately \$2.8 million at December 31, 2005. The Chief Executive Officer and Chief Financial Officer of the Company guarantee borrowings of up to \$1.5 million, under the credit facility. At December 31, 2005, the outstanding borrowings on this line of credit were \$7.2 million.

The Company is dependent upon the funds available under its line of credit agreement for liquidity. As long as the Company can fund the equivalent of 25% of its accounts receivable from funds generated internally from operations or otherwise, this facility has historically provided the Company sufficient liquidity to meet its needs on an ongoing basis.

The line of credit is subject to termination upon various events of default, including failure to remit timely payments of interest, fees, and principal, any adverse change in the business of the Company, or failure to meet certain financial covenants. Financial covenants include: minimum net

Liquidity and Capital Resources (continued)

worth requirements, total debt service coverage ratio, capital expenditure limitations, and prohibition of additional indebtedness without prior authorization. At December 31, 2005, the Company was in compliance with these financial covenants.

The Company also has approximately \$2.8 million of debt payable to the Chief Executive Officer and Chief Financial Officer or entities under their control. This debt is subordinate to the lender of the revolving credit facility and matures on October 1, 2007. Repayment of the subordinate debt would require approval from the lender of the revolving credit facility. The subordinated debt has historically been extended prior to maturity.

The following is a table of our contractual obligations and other commercial commitments as of December 31, 2005 (dollars in thousands):

	Total	Less than 1 year	2-3 Years	4-5 Years	After 5 years
Revolving Line of Credit	\$ 7,711	\$7,711	\$ 0	\$ 0	\$ 0
Long-Term Debt	2,991	0	2,991	0	0
Operating Leases	1,433	636	499	241	57
Total Contractual Obligations	<u>\$12,135</u>	<u>\$8,347</u>	<u>\$3,490</u>	<u>\$241</u>	<u>\$57</u>

(payments include principal and interest (1))

(1) interest calculated using interest rates at December 31, 2005

Historically the revolving line of credit and long term debt has been extended prior to maturity.

The Company does not have any long-term purchase commitments as of December 31, 2005.

Environmental Liabilities

Neither the Company nor its subsidiaries is a party to any Super-fund litigation and does not have any known environmental claims against it except for the one property owned by its subsidiary TC Services, Inc. where soil contamination problems existed or are known to exist currently. The Company has conducted a preliminary evaluation of its potential liability at this site and believes that it has reserved appropriately for remediation of the site or

that the fair market value of the property exceeds its net book value by an amount in excess of any remediation cost. There can be no assurance, however, that the cost of remediation would not exceed the expected amounts. The Company continues to monitor soil contamination and may be required to remediate the property in the near future.

Inflation

Changes in freight rates charged by the Company to their customers are generally reflected in the cost of purchased transportation and commissions paid by the subsidiaries to independent contractors and agents, respectively. Therefore, management believes that future-operating results will be affected primarily by changes in the volume of business. Rising fuel prices are generally offset by a fuel surcharge they pass onto their customers. However, due to the highly competitive nature of the truckload motor carrier industry, it is possible that future freight rates, cost of purchased transportation, as well as fuel prices may fluctuate, affecting the Company's consolidated profitability.

Recently Issued Accounting Standards

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment". This statement revises FASB Statement No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) focuses primarily on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires companies to recognize in the statement of operations the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). This Statement is effective in the first interim or annual reporting period in years beginning after June 15, 2005. Accordingly, we will adopt SFAS 123(R) in the first quarter of fiscal 2006. The Company doesn't anticipate that the adoption of SFAS 123(R) will not have a material impact on its consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 replaces APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements" and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS 154 provides guidance for determining whether retrospective application of a change in accounting principle is impractical and for reporting a change when retrospective application is impractical. The reporting of a correction of an error by restating previously issued financial statements is also addressed. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company doesn't anticipate that the adoption of SFAS 154 will not have a material impact on its consolidated financial statements.

Off-Balance Sheet Arrangements

The Company's subsidiaries obtain the majority of their auto liability and cargo insurance from AIFE. For the years ended December 31, 2005, 2004, and 2003, cash paid to AIFE for insurance premiums and deductibles was approximately \$4,787,000, \$5,673,000, and \$5,373,000, respectively. If AIFE incurs a net loss, the loss may be allocated to the various policyholders based on each policyholder's premium as a percentage of the total premiums of

AIFE for the related period. There has been no such loss assessment for each of the years ended December 31, 2005, 2004, and 2003, respectively. The Company currently accounts for the majority of the premiums of AIFE. For fiscal 2005, the subsidiaries of the Company account for approximately 85% of the total premium revenue of AIFE. At December 31, 2004, AIFE had net worth of approximately \$6.9 million, an undetermined portion of which is attributable to other policyholders of AIFE. The Company has no other off-balance sheet arrangements.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the impact of interest rate changes. The Company has a \$10 million line of credit with a variable interest rate, which may range from prime (7.25% at December 31, 2005) to prime less .50%. At December 31, 2005, the interest rate on this line of credit was at 7.00%. The outstanding balance on this line of credit at December 31, 2005 was \$7.2 million. The Company also has approximately \$2.8 million of debt payable to the Chief Executive Officer and Chief Financial Officer or entities under their control which bears interest at prime plus .75%. Based on the Company's outstanding borrowings at December 31, 2005, a 1% increase in the prime rate would result in approximately \$100,000 of additional interest expense annually.

On October 20, 2005, the Company and its subsidiaries entered into an Interest Rate Swap Agreement with U.S. Bank effective November 1, 2005 through November 1, 2008. This agreement is in the notional amount of \$3,000,000. The agreement caps the interest rate at 7.71% through the term of the agreement. As a result of this agreement, the Company has recorded interest expense in 2005 of \$3,290 associated with this agreement.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
US 1 Industries, Inc.
Gary, Indiana

We have audited the accompanying consolidated balance sheets of US 1 Industries, Inc. and Subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. We have also audited the schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and 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 and schedule are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. 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 US 1

Industries, Inc. and Subsidiaries at December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/s/BDO Seidman, LLP
Chicago, Illinois
March 10, 2006

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Accounts receivable-trade, less allowance for doubtful accounts of \$1,365,000 and \$1,023,000 respectively	\$28,108,082	\$22,051,059
Other receivables, including receivables due from affiliated entities of \$144,000 and \$175,000 in 2005 and 2004, respectively	2,343,563	1,362,631
Prepaid expenses and other current assets	509,919	513,069
Current deferred tax asset	987,348	600,000
	-----	-----
Total current assets	31,948,912	24,526,759
FIXED ASSETS:		
Equipment	859,602	1,315,233
Less accumulated depreciation and amortization	(574,810)	(768,821)
	-----	-----
Net fixed assets	284,792	546,412
ASSETS HELD FOR SALE:		
Land	195,347	195,347
Valuation allowance	(141,347)	(141,347)
	-----	-----
Net assets held for sale	54,000	54,000
Non-current deferred tax asset	600,000	600,000
Other assets	402,219	392,357
	-----	-----
TOTAL ASSETS	\$33,289,923	\$26,119,528

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

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES:		
Revolving line of credit	\$ 7,206,358	\$ 5,513,360
Accounts payable	10,557,403	8,092,664
Other accrued expenses	890,026	684,068
Insurance and claims	1,879,623	1,341,855
Accrued compensation	259,601	296,681
Accrued interest	1,213,227	1,274,510
Fuel and other taxes payable	434,404	95,467
Accrued Legal Settlements	0	2,083,333
	-----	-----
Total current liabilities	22,440,642	19,381,938
	-----	-----
LONG-TERM DEBT(RELATED PARTY)	2,769,708	2,889,708
MINORITY INTEREST	170,089	254,946
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, authorized 20,000,000 shares; no par value; 12,018,224 and 11,618,224 shares outstanding as of both December 31, 2005 and December 31, 2004, respectively.	42,596,639	42,396,639

Accumulated deficit	(34,687,155)	(38,803,703)
Total shareholders' equity	<u>7,909,484</u>	<u>3,592,936</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 33,289,923</u>	<u>\$ 26,119,528</u>

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

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
OPERATING REVENUES	\$166,647,655	\$143,312,604	\$121,747,394
OPERATING EXPENSES:			
Purchased transportation	122,268,349	105,537,666	89,698,731
Commissions	17,242,997	14,293,663	12,348,082
Insurance and claims	6,531,988	6,067,748	5,292,548
Litigation Judgment	0	1,700,000	0
Salaries, wages, and other	10,583,201	8,994,178	6,827,806
Other Operating expenses	7,243,817	6,663,002	5,856,846
Total operating expenses	<u>163,870,352</u>	<u>143,256,257</u>	<u>120,024,013</u>
RECOVERY OF LITIGATION RESERVE	<u>1,700,000</u>	<u>0</u>	<u>0</u>
OPERATING INCOME	<u>4,477,303</u>	<u>56,347</u>	<u>1,723,381</u>
NON OPERATING INCOME (EXPENSE):			
Interest income	60,814	21,981	15,301
Interest expense	(610,785)	(465,903)	(493,411)
Other income, net	278,562	516,583	302,244
Total non operating income (expense)	<u>(271,409)</u>	<u>72,661</u>	<u>(175,866)</u>
NET INCOME BEFORE MINORITY INTEREST	4,205,894	129,008	1,547,515
Minority Interest	<u>(35,143)</u>	<u>(27,748)</u>	<u>(154,529)</u>

NET INCOME BEFORE INCOME TAXES	4,170,751	101,260	1,392,986
Income Taxes	<u>54,203</u>	<u>86,738</u>	<u>0</u>
NET INCOME	\$ <u>4,116,548</u>	\$ <u>14,522</u>	\$ <u>1,392,986</u>
Basic Net Income Per Common Share	<u>\$0.34</u>	<u>\$0.00</u>	<u>\$0.12</u>
Diluted Net Income Per Common Share	<u>\$0.34</u>	<u>\$0.00</u>	<u>\$0.12</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	<u>12,018,224</u>	<u>11,618,224</u>	<u>11,618,224</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING- DILUTED	<u>12,169,739</u>	<u>11,964,174</u>	<u>11,618,224</u>

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

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005, 2004, and 2003

	<u>Common Stock</u>		<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Total</u>
Balance at				
December 31, 2002	11,618,224	\$42,068,639	\$(40,211,211)	\$1,857,428
Grant of restricted Common Stock (Note 9)	0	94,286	0	94,286
Minority interest in subsidiary (Note 10)	0	64,800	0	64,800
Net Income	<u>0</u>	<u>0</u>	<u>1,392,986</u>	<u>1,392,986</u>
Balance at				
December 31, 2003	11,618,224	\$42,227,725	\$(38,818,225)	\$3,409,500
Grant of restricted Common Stock (Note 9)	0	125,714	0	125,714
Minority interest in Subsidiary (Note 10)	0	43,200	0	43,200
Net Income	<u>0</u>	<u>0</u>	<u>14,522</u>	<u>14,522</u>
Balance at				
December 31, 2004	11,618,224	\$42,396,639	\$(38,803,703)	\$3,592,936
Grant of restricted Common Stock (Note 9)	0	200,000	0	200,000
Common shares issued to employees (Note 9)	400,000	0	0	0
Net Income	<u>0</u>	<u>0</u>	<u>4,116,548</u>	<u>4,116,548</u>
Balance at				
December 31, 2005	12,018,224	\$42,596,639	\$(34,687,155)	\$7,909,484

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

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 4,116,548	\$ 14,522	\$ 1,392,986
Adjustments to reconcile net income to net cash provided by(used in) operating activities:			
Depreciation and amortization	223,286	316,875	301,303
Compensation expense resulting from Issuance of equity in subsidiary	0	100,000	150,000
Compensation expense resulting from restricted stock grant to officers	200,000	125,714	94,286
Provision for bad debt	1,031,513	726,000	765,000
Minority interest	35,143	27,748	154,529
Deferred Income Tax Benefit	(387,348)	0	0
(Gain) Loss on disposal of fixed assets	(107,485)	(166,454)	12,575
Changes in operating assets and liabilities:			
Accounts receivable-trade	(7,088,536)	(4,867,032)	(2,206,115)
Other receivables	(980,932)	(108,388)	394,356
Prepaid expenses and other current assets	(6,712)	(217,905)	227,380
Accounts payable	2,464,739	1,079,304	1,381,716
Accrued expenses	205,958	306,593	(25,821)
Insurance and claims	537,768	552,901	(255,268)
Accrued interest	(61,283)	139,723	125,394
Accrued compensation	(37,080)	248,818	(39,410)
Fuel and other taxes payable	338,937	67,329	(53,576)
Accrued legal settlements	(2,083,333)	1,383,333	0
Net cash (used in) provided by operating activities	<u>(1,598,817)</u>	<u>(270,919)</u>	<u>2,419,335</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to fixed assets	(145,701)	(149,950)	(155,706)
Proceeds from sale of fixed assets	291,520	424,420	27,900
Net cash provided by (used in) investing			

activities	<u>145,819</u>	<u>274,470</u>	<u>(127,806)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net borrowings (repayments) under line of credit	1,692,998	628,602	(1,223,722)
Principal payments of long-term debt	0	(477,624)	(484,453)
Repayments of shareholder loans	(120,000)	0	(455,801)
Distribution to minority interest	<u>(120,000)</u>	<u>(154,529)</u>	<u>(117,553)</u>
Net cash provided by (used in) financing activities	<u>1,452,998</u>	<u>(3,551)</u>	<u>(2,291,529)</u>
NET CHANGE IN CASH	0	0	0
CASH, BEGINNING OF YEAR	0	0	0
CASH, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION--			
Cash paid during year for interest	\$672,068	\$326,180	\$469,050

The Company recognized \$0, \$100,000, and \$150,000 of compensation expense for the years ended December 31, 2005, 2004, and 2003, respectively for the issuance of common stock of a subsidiary, which was issued to key employees as further discussed in Note 9.

The company recognized \$200,000, \$125,714, and 94,286 of compensation expense for the years ended December 31, 2005, 2004 and 2003 respectively, for restricted stock granted to executives.

**US 1 INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003**

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

1. OPERATIONS

The Company, through its subsidiaries, is primarily an interstate truckload carrier of general commodities, which uses independent agents and owner-operators to contract for and haul freight for its customers in 48 states with a concentration in the Southeastern United States. One agent accounted for 10.3%, and 11.3% of the Company's revenue for the years ended December 31, 2004, and 2003, respectively. Otherwise, no other agent accounted for more than 10% of revenue during any of these years and no agent accounted for more than 10% of revenue during 2005. The Company shipped freight for approximately 1,000 customers in 2005, none of which accounted for more than 10% of the Company's revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation--The consolidated financial statements include the accounts of US 1 Industries, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Fair Value of Financial Instruments--The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments. The carrying amount of

outstanding borrowings and interest rate cap agreements approximate fair value.

Allowance for Doubtful Accounts--The subsidiaries record an allowance for doubtful accounts based on specifically identified amounts that it believes to be uncollectible. The Company also records an additional allowance based on percentages of aged receivables, which are determined based on historical experience and an assessment of the general financial conditions affecting its customer base. If actual collections experience changes, revisions to the allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Revenue Recognition--Revenue for freight in transit is recognized upon delivery. Amounts payable for purchased transportation, commissions and insurance expense are accrued when the related revenue is recognized.

Fixed Assets--Fixed assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, which range from three to eight years.

Assets Held for Sale--Such assets comprise real estate, not required for the Company's operations, which is carried at the lower of historical cost or estimated net realizable value. See Note 12.

Long-Lived Assets--The Company assesses the realizability of its long-lived assets in accordance with statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets".

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Estimates--The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Income Taxes--Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets. In addition, the amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be fully utilized.

Earnings Per Common Share--The Company computes earnings per share under Statement of Financial Accounting Standards No. 128 "Earnings Per Share." The statement required presentation of two amounts, basic and diluted earnings per share. Basic earnings per share are computed by dividing income available to common stockholders by the weighted average common shares outstanding. Dilutive earnings per share would include all common stock equivalents. There are 151,514, 400,000, and 400,000 common stock equivalents at December 31, 2005, 2004, and 2003, respectively.

Business Segments--Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" requires public enterprises to report certain information about reporting segments in financial statements. The Company presents its operations in one business segment.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment". This statement revises FASB Statement No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) focuses primarily on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires companies to recognize in the statement of operations the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). This Statement is effective in the first interim or annual reporting period in years beginning after June 15, 2005. Accordingly, we will adopt SFAS 123(R) in the first quarter of fiscal 2006. The Company doesn't anticipate that the adoption of SFAS 123(R) will not have a material impact on its consolidated financial statements.

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Recent Accounting Pronouncements (continued)

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 replaces APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements" and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS 154 provides guidance for determining whether retrospective application of a change in accounting principle is impractical and for reporting a change when retrospective application is impractical. The reporting of a correction of an error by restating previously issued financial statements is also addressed. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company doesn't anticipate that the adoption of SFAS 154 will not have a material impact on its consolidated financial statements.

3. EARNINGS PER COMMON SHARE

The Company calculates earnings per share ("EPS") in accordance with SFAS No. 128. Following is the reconciliation of the numerators and denominators of the basic and diluted EPS.

Numerator	2005	\$	2004	\$	2003
Net income	\$4,116,548		14,522		\$ 1,392,986
Dividends on preferred shares	0		0		0

Net income available to common shareholders for basic EPS	4,116,548	14,522	1,392,986
Net income attributable to unvested minority interest shares in subsidiary	0	0	(51,509)
Net income available to common shareholders for diluted EPS	4,116,548	14,522	1,341,477
Denominator			
Weighted average common shares outstanding for basic EPS	12,018,224	11,618,224	11,618,224
Effect of diluted securities Unvested restricted stock granted to employees	151,515	345,950	234,283
Weighted average shares outstanding for diluted EPS	12,169,739	11,964,174	11,618,224

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

4. RELATED PARTY TRANSACTIONS

One of the Company's subsidiaries provides safety, management, and accounting services to companies controlled by the Chief Executive Officer and Chief Financial Officer of the Company. These services are priced to cover the cost of the employees providing the services. Revenues related to those services was approximately \$66,000, \$119,000 and \$104,000 in 2005, 2004, and 2003, respectively. Accounts receivable due from entities affiliated through common ownership was \$144,000 and \$175,000 as of December 31, 2005 and 2004, respectively.

One of the subsidiaries insurance providers, AIFE, is managed by a Director of the Company and the Company has an investment of \$126,461 in the provider. AIFE provides auto liability and cargo insurance to several subsidiaries of the Company as well as other entities related to the Company by common ownership. For the years ended December 31, 2005, 2004 and 2003, cash paid to AIFE for insurance premiums and deductibles was approximately \$4,787,000, \$5,673,000, and \$5,373,000, respectively.

The subsidiaries exercised no control over the operations of AIFE. As a result, the Company recorded its investment in AIFE under the cost method of accounting for each of the three years in the period ended December 31, 2005. Under the cost method, the investment in AIFE is reflected at its original amount and income is recognized only to the extent of dividends paid by the investee. There were no dividends declared by AIFE for the years ended

December 31, 2005, 2004 and 2003.

If AIFE incurs a net loss, the loss may be allocated to the various policyholders based on each policyholder's premium as a percentage of the total premiums of AIFE for the related period. There has been no such loss assessment for each of the three years in the period ended December 31, 2005. The subsidiaries currently account for the majority of the premiums of AIFE. For fiscal 2005, the Company through its subsidiaries accounted for approximately 85% of the total premium revenue of AIFE. At December 31, 2004, AIFE had net worth of approximately \$6.9 million, a portion of which is attributable to other policyholders of AIFE.

In addition, the Chief Executive Officer and Chief Financial Officer, as well as another director of the Company, are the sole shareholders of American Inter-Fidelity Corporation (AIFC), which serves as the attorney in fact of AIFE. AIFC is entitled to receive a management fee from AIFE. AIFE incurred management fees of approximately \$300,000, \$405,000, and \$354,000 for the years ended December 31, 2005, 2004, and 2003, respectively. These management fees are available to be paid as dividends to these officers and directors of the Company.

In 2005 and 2004 the company paid consulting fees of \$24,000 to one of its directors relating to insurance services.

The Company has notes payable due to its Chief Executive Officer, Chief Financial Officer, and August Investment Partnership, an entity affiliated through common ownership, as described in Note 7.

5. LEASES

The Company leases its administrative offices in Gary, Indiana on a month-to-month basis for \$4,000 per month. Patriot Logistics, Inc. leases office space in Fort Smith, Arkansas on a month-to-month basis for \$3,216. Both offices lease their space from The Company's President/Chief Executive Officer, and Treasurer/Chief Financial Officer who are both directors of the Company.

In addition, the Company's subsidiaries lease office space and land in Mississippi, Texas, South Carolina, Louisiana, Georgia, Missouri, North Carolina, Indiana, California, Arkansas, and Florida under operating leases ranging from one to six years.

Rent expense under these operating leases was \$1,064,000, \$837,000 and \$672,000 for the years ended 2005, 2004, and 2003 respectively.

Future commitments under these operating leases are as follows:

2006	636,183
2007	340,367
2008	158,376
2009	126,572
2010	114,072
2011	57,036
	<u>\$1,432,606</u>

6. BANK LINE OF CREDIT

The Company and its subsidiaries have a \$10.0 million line of credit that matures on October 1, 2007. Advances under this revolving line of credit are limited to 75% of eligible accounts receivable. Availability under this line of credit was \$2,793,642 at December 31, 2005. The interest rate is based upon certain financial covenants and may range from prime to prime less .50%. At December 31, 2005, the interest rate on this line of credit was at prime less .25% (7.00%). The Company's accounts receivable, property, and other assets collateralize advances under the agreement. Borrowings under the line of credit up to \$1.5 million are guaranteed by the Chief Executive Officer and Chief Financial Officer of the Company. The outstanding borrowings on this line of credit were \$7.2 and \$5.5 million at December 31, 2005 and 2004, respectively.

The line of credit is subject to termination upon various events of default, including failure to remit timely payments of interest, fees, and principal, any adverse change in the business of the Company, or failure to meet certain financial covenants. Financial covenants include: minimum net worth requirements, total debt service coverage ratio, capital expenditure limitations, and prohibition of additional indebtedness without prior authorization. At December 31, 2005, the Company was in compliance with these financial covenants. The balance outstanding under this line-of-credit agreement is classified as a current liability at December 31, 2005.

On October 20, 2005, the Company and its subsidiaries entered into an Interest Rate Swap Agreement with U.S. Bank effective November 1, 2005 through November 1, 2008. This agreement is in the notional amount of \$3,000,000. The agreement caps the interest rate at 7.71% through the term of the agreement. As a result of this agreement, the Company has recorded interest expense of \$3,290 associated with this agreement. The fair value of this agreement was minimal at December 31, 2005.

7. LONG-TERM DEBT

Long-term debt at December 31, 2005 and 2004 comprises:

	<u>2005</u>	<u>2004</u>
Note payable to the Chief Executive Officer And Chief Financial Officer, interest at Prime + .75% (8.00%), interest only payments required, with principal balance due October 2007.	\$1,919,708	\$2,039,708
Mortgage note payable to the Chief Executive Officer and Chief Financial Officer collateralized by land, interest at prime + .75% (8.00%), interest only payments required, principal balance due October 2007	500,000	500,000
Note payable to August Investment Partnership, interest at prime + .75% (8.00%), interest only payments required, principal balance due October 2007	250,000	250,000
Mortgage note payable to August Investment Partnership, interest at prime + .75% (8.00%), interest only payments required, principal balance due October 2007	<u>100,000</u>	<u>100,000</u>
Subtotal - related party debt	\$2,769,708	\$2,889,708
Less current portion	<u>0</u>	<u>0</u>
Total long-term debt	\$ <u>2,769,708</u> =====	\$ <u>2,889,708</u> =====

Interest expense on related party notes was approximately \$168,000, \$131,000, and \$137,000 for the years ended December 31, 2005, 2004, and 2003, respectively.

The related party notes are subordinate to the lender of the revolving line of credit facility and repayment of this debt would require the lender's approval. Historically this debt has been extended prior to maturity.

Scheduled maturities of the long-term debt at December 31, 2005 are due as follows:

2006	\$	0
2007		<u>2,769,708</u>
		<u>\$2,769,708</u>
		=====

8. INCOME TAXES

The composition of income tax expense (benefit) is as follows:

December 31,	2005	2004	2003
Current	\$1,366,203	\$746,738	\$ 773,000
Deferred	298,000	(695,000)	(154,000)
Benefit from operating loss carry-forward	(1,057,000)	(719,000)	(773,000)
Adjustment of valuation allowance	(553,000)	754,000	154,000
	<u>\$ 54,203</u>	<u>\$ 86,738</u>	<u>\$ -</u>

8. INCOME TAXES (continued)

The following summary reconciles income taxes at the maximum federal statutory rate with the effective rates for 2005, 2004, and 2003:

December 31,	2005	2004	2003
Income tax expense at statutory rate	\$1,418,000	\$ 34,000	\$ 474,000
State income tax expense, net of federal tax benefit	246,000	17,000	145,000
Adjustment of valuation allowance	(1,609,797)	35,738	(619,000)
	<u>\$ 54,203</u>	<u>\$ 86,738</u>	<u>\$ -</u>

The Company and its wholly-owned subsidiaries file a consolidated federal income tax return. Carolina National, the Company's 60% owned subsidiary files a separate federal income tax return.

Deferred income taxes consist of the following:

December 31,	2005	2004
Total deferred tax assets, relating principally to net operating loss carry-forwards	\$ 9,205,000	\$21,228,000
Less valuation allowance	(7,617,652)	(20,028,000)
Total net deferred tax asset	<u>\$ 1,587,348</u>	<u>\$ 1,200,000</u>

At December 31, 2005 and 2004, the Company has realized a net deferred tax asset of \$1,587,348 and \$1,200,000 as it is more likely than not that this amount will be realized as a result of anticipated future taxable income to be generated by the Company. Due to the uncertainty of realization, a valuation allowance has been maintained for the remaining deferred tax asset at December 31, 2005.

The Company has net operating loss carry-forwards of approximately \$21.7 million at December 31, 2005. These carry-forwards are available to offset taxable income in future years and substantially all of these carry-forwards will expire in the years 2006 through 2010. Approximately 62% of the Company's net operating loss carry forwards will expire in 2006.

9. STOCK COMPENSATION

In March 2003, the Company granted 400,000 shares (200,000 each) of common stock to the Company's Chief Executive Officer and Chief Financial Officer, subject to the continued employment of these employees through December 2004. In December 2004, the Board of Directors extended the vesting period until March 2005. As a result, the Company incurred \$0, \$125,712, and \$94,286 of compensation expense (based on the quoted market price of the Company's stock on the date of grant) for the years ended December 31, 2005, 2004, and 2003, respectively. The shares were issued during the first quarter of 2005.

In December 2005, the Company granted 151,514 shares (75,757 each) of common stock to the Company's Chief Executive Officer and Chief Financial Officer based on certain earnings criteria. These shares will vest as of January 1, 2006. As a result, the Company incurred \$200,000 of compensation expense (based on the quoted market price of the Company's stock on the date of grant) for the year ended December 31, 2005. The shares are to be issued during the first quarter of 2006.

10. MINORITY INTEREST

The Company entered into an agreement with certain key employees of its subsidiary, Carolina National Transportation, Inc. ("Carolina"), in which these employees earned a 40% ownership interest in Carolina over a three year period, beginning in the year following which Carolina achieved positive retained earnings, contingent upon certain restrictions, including continued employment at Carolina. In 2001, Carolina achieved positive retained earnings. As a result, the Company incurred total compensation expense of \$400,000 over the three-year vesting period. The Company incurred compensation expense of \$100,000 for the year ended December 31 2004, and \$150,000 for each of the years ended December 31, 2003 and 2002. The excess of the fair value of the Carolina common stock issued over the book value of this common stock is reflected as a credit to common stock in the amount of \$43,200, \$64,800, and \$64,802 for fiscal 2004, 2003, and 2002, respectively. The Company also recognized minority interest expense of \$35,143, \$27,748, and \$154,529 relating to the employees' portion of Carolina's net income for the years ended December 31, 2005, 2004, and 2003, respectively. Carolina paid dividends of \$120,000, \$154,529 and \$117,553 to the minority shareholders for the years ended December 31, 2005, 2004 and 2003, respectively. Net income for Carolina was \$87,859, \$69,370, and \$515,096, for the years ended 2005, 2004, and 2003, respectively.

11. COMMITMENTS AND CONTINGENCIES

Litigation

On March 16, 2005, a jury entered a verdict against a subsidiary of the Company, Cam Transport, Inc. ("CAM") in the amount of \$1.7 million in a personal injury case relating to an auto accident which occurred on March 22, 2001 entitled Lina Bennett vs Toby M. Ridgeway and Cam Transport, Inc. in the Court of Common Pleas of Allendale County, South Carolina. As a result, the Company recorded a charge of \$1.7 million related to this litigation for the year-ended December 31, 2004. This amount is included in accrued legal settlements at December 31, 2004.

CAM maintains auto liability insurance up to a maximum of \$1 million per occurrence for litigation related to such accidents. However, CAM's insurer, American Inter-fidelity Exchange, initially filed a declaratory judgment action asserting that it was not obligated to provide insurance coverage on this matter. As a result of the uncertainty regarding the insurance coverage for this claim, the expense recorded for this litigation was not reduced by any expected amounts to be recovered from the insurance company and there was no receivable established at December 31, 2004 for the amount which could possibly be covered under the auto liability policy.

During the third quarter of 2005, the case was settled for \$750,000 and the Company's insurer, American Inter-Fidelity Exchange agreed to pay the full amount of the settlement. As a result, the Company recorded a recovery on this litigation of \$1.7 million for the year ended December 31, 2005.

On November 4, 2005, a punitive class action law suit entitled Coleman vs. Patriot Logistics, Inc., Case No. 3:05-CV-1152-20MMH, was filed against a subsidiary of the Company in the United States District Court for the Middle District of Florida, Jacksonville Division. In general, the suit, which was brought on behalf of independent owner-operators who do business with the defendant, alleges that the vehicle lease agreements between the defendant and the plaintiffs violated applicable law and that the defendant underpaid, or

11. COMMITMENTS AND CONTINGENCIES (continued)

overcharged, the plaintiffs under those vehicle leases. The Company is unable to assess the outcome of this case at this time. The Company intends to vigorously contest the lawsuit.

The Company and its subsidiaries are involved in other litigation in the normal course of its business. Management intends to vigorously defend these cases. In the opinion of management, the other litigation now pending will not have a material adverse affect on the consolidated financial statements of the Company.

12. ENVIRONMENTAL MATTERS

The Company's subsidiary, TC Services, Inc owns a piece of property in Phoenix where soil contamination problems exist. The Company has been working with regulatory officials to eliminate new contamination sources and determine the extent of existing problems. Estimates of the cost to complete the future remediation of approximately \$141,000 are considered in the land valuation allowance at December 31, 2005 and 2004.

13. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(In thousands, except per share data)

	Operating Revenue	Operating Income	Net Income	Net Income per share basic	Net Income per share diluted
2005	\$166,648	\$2,777	\$2,417	\$0.20	\$0.20
Quarters:					
Fourth	45,153	367	558	0.05	0.05
Third	41,844	871	626	0.05	0.05
Second	41,890	679	516	0.04	0.04
First	37,761	860	717	0.06	0.06
2004	\$143,313	\$56	\$15	\$0.00	\$0.00
Quarters:					
Fourth	39,614	(998)	(825)	(0.07)	(0.07)
Third	36,994	578	508	0.04	0.04
Second	35,975	176	100	0.01	0.01
First	30,730	300	232	0.02	0.02

US 1 INDUSTRIES, INC.
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 2003 AND 2004

Schedule II

<u>Description</u>	<u>Balance At Beginning of Year</u>	<u>Charged to Costs and Expenses</u>	<u>Write-Offs, Retirements & Recoveries</u>	<u>Balance At End of Year</u>
Year Ended December 31, 2003				
Allowance for Doubtful Accounts Receivable	\$ 460,000	\$ 765,000	\$381,000	\$844,000
Year Ended December 31, 2004				
Allowance for Doubtful Accounts Receivable	\$ 844,000	\$ 726,000	\$547,000	\$1,023,000

Michael E. Kibler

Mr. Kibler is President and Chief Executive Officer of the Company and has held these positions since September 13, 1993 and has been a director since 1993. He also has been President of Enterprise Truck Lines, Inc., an interstate trucking company engaging in operations similar to the Company's, since 1972. Mr. Kibler is a partner of August Investment Partnership and is also a shareholder of American Inter-fidelity Corporation, the attorney-in-fact of AIFE, an affiliated entity that provides auto liability and cargo insurance to the Company.

Harold E. Antonson

Mr. Antonson is Chief Financial Officer of the Company, a position he has held since March 1998. Mr. Antonson is a certified public accountant. Prior to joining the Company, he was Secretary/Treasurer of AIFE. Mr. Antonson is also a partner in August Investment Partnership. Mr. Antonson was elected a director and Treasurer of the Company in November 1999. Mr. Antonson is also a shareholder of American Interfidelity Corporation, the attorney-in-fact of AIFE, an affiliated entity that provides auto liability and cargo insurance to the Company.

Lex Venditti

Mr. Venditti has served as a director of the Company since 1993. Mr. Venditti is the General Manager of AIFE, an insurance reciprocal located in Indiana. Mr. Venditti is also a shareholder of AIFE, the attorney-in-fact of AIFE, an affiliated entity that provides auto liability and cargo insurance to the Company.

Item 10. Directors and Executive Officers of the Registrant (continued)

<u>Name</u>	<u>Office and Experience</u>
-------------	------------------------------

Robert Scissors	Mr. Scissors has been a Director of the Company since 1993. Mr. Scissors began his career in the Insurance Industry in 1957. In 1982, Mr. Scissors joined a brokerage firm called Alexander/Alexander where he worked until retiring in 1992. Mr. Scissors currently works as an insurance consultant and broker.
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Brad James	Mr. James is the President of Seagate Transportation Services, Inc. Mr. James graduated from Bowling Green University with a Bachelors Degree in Business Administration. He has been in the trucking industry since 1977. Mr. James was elected a director of the Company in 1999.
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There are no family relationships between any director or executive officer of the Company.

Code of Ethics

The Company has adopted a Code of Ethics that applies to the Chief Executive Officer and the Chief Financial Officer a copy of which was filed as Exhibit 14.1 to the 2003 Form 10-K.

Audit Committee and Audit Committee Financial Expert

The Company has an audit committee consisting of Lex Venditti and Robert Scissors. The Company's Board of Directors has determined that Mr. Venditti is an "audit committee financial expert" as defined under SEC rules. However, because of his position as general manager of AIFE and as a shareholder of American Inter-Fidelity Corporation, Mr. Venditti is not considered an independent director as defined under Rule 10A-3(b) of the Exchange Act. In addition, Mr. Scissors receives fees for consulting services provided to the Company and is also not considered an independent director.

The audit committee is responsible for selecting the Company's independent auditors and approving the scope, fees and terms of all audit engagements and permissible non-audit services provided by the independent auditor, as well as assessing the independence of the Company's independent auditor from management. The audit committee also assists the Board in oversight of the Company's financial reporting process and integrity of its financial statements, and also reviews other matters with respect to the Company's accounting, auditing and financial reporting practices as it may find appropriate or may be brought to its attention.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and persons who own more than 10% of the outstanding common stock of the Company to file with the Securities and Exchange Commission reports of changes in ownership of the common stock of the Company held by such persons. Officers, directors and greater than 10% shareholders are also required to furnish the Company with copies of all forms they file under this regulation. To the Company's knowledge based solely on a review of the copies of such reports furnished to the Company and representations that no other reports were required, during the year ended December 31, 2005, except for a Form 4 that was filed late by Mr. Scissors, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% shareholders were complied with.

Director Nomination Procedures

The Company will consider nominations for directors submitted by shareholders of the Company. Shareholders who wish to make a nomination for

director should send the name and biographical information with respect to such nominee to the Secretary of the Company along with a certification by such nominee that he or she will serve as a director of the Company if elected.

Item 11. Executive Compensation

The following Summary Compensation Table sets forth compensation paid by the Company during the years ended December 31, 2005, 2004 and 2003 to Mr. Michael E. Kibler, Chief Executive Officer and Mr. Harold Antonson, Chief Financial Officer, where applicable. No other officer of the Company earned in excess of \$100,000.

Summary Compensation Table

Name and Position	Annual Compensation			
	Year	Salary	Bonus	Other(1)
Michael Kibler	2005	93,696	0	100,000
President	2004	99,840	0	0
President	2003	106,580	0	110,000
Harold Antonson	2005	57,600	0	100,000
Chief Financial Officer	2004	57,600	0	0
	2003	106,580	0	110,000

(1) In March 2003, the Company granted 400,000 shares (200,000 each) of common stock to the Company's Chief Executive Officer and Chief Financial Officer, subject to the continued employment of these employees through December 2004. In December 2004, the Board of Directors extended the vesting period until March 2005. As a result, the Company incurred \$0, \$125,712, and \$94,286 of compensation expense (based on the quoted market price of the Company's stock on the date of grant) for the years ended December 31, 2005, 2004, and 2003, respectively. The shares were issued during the first quarter of 2005.

In December 2005, the Company granted 151,514 shares (75,757 each) of common stock to the Company's Chief Executive Officer and Chief Financial Officer based on certain earnings criteria.

Item 11. Executive Compensation (continued)

These shares will vest as of January 1, 2006. As a result, the Company incurred \$200,000 of compensation expense (based on the quoted market price of the Company's stock on the date of grant) for the year ended December 31, 2005. The shares are to be issued during the first quarter of 2006.

Option exercises and option values

No stock options were issued to Mr. Michael E. Kibler, Chief Executive Officer and Mr. Harold Antonson, Chief Financial Officer, in 2004 and no stock options were outstanding as of December 31, 2005.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Management

The following table sets forth the number and percentage of shares of

Common Stock that as of March 9, 2005 are deemed to be beneficially owned by each director of the company and director nominee, by each executive officer of the Company and by all directors and executive officers of the company as a group

Name and position -----	Number of Shares of Common Stock Beneficially Owned -----	Percentage of Class -----
Harold E. Antonson Chief Financial Officer, Treasurer and Director	3,311,746 (1)	27.6%
Michael E Kibler Director, President and Chief Executive Officer	3,252,301 (1)	27.1%
Brad A. James Director	1,317,927 (2)	11.0%
Robert I. Scissors, Director	64,770 (3)	*
Lex L. Venditti Director	217,500 (4)	1.8%
All Directors and Executive Officers	4,326,259	36.0%

* Indicates less than 1% ownership.

- (1) Includes shares held by August Investment Partnership, August Investment Corporation, Eastern Refrigerated Transport, Inc., Enterprise Truck Lines, Inc., Seagate Transportation Services, Inc., and American Inter-Fidelity Exchange, of which Messrs. Kibler and Antonson are either directors, partners, or significant shareholders or otherwise share the voting and dispositive authority with respect to these shares. Also includes 200,000 shares of restricted stock for each.
- (2) Includes shares held by Seagate Transportation Services, Inc. and August Investment Partnership, of which Mr. James is a director, partner or significant shareholder.

Item 12. Security Ownership of Certain Beneficial Owners and Management (continued)

- (3) Includes 11,770 shares held in the Sandra L. Scissors Trust of which Mr. and Mrs. Scissors are joint trustees.
- (4) Includes shares held by American Inter-Fidelity Exchange, of which Mr. Venditti is a director and significant shareholder of the attorney-in-fact.

Security Ownership of Certain Beneficial Owners

The following table sets forth the number and percentage of shares of Common Stock beneficially owned as of March 9, 2004 by any person who is known to the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock:

Name and Address of	Number of Shares of Common Stock	Percentage
---------------------	-------------------------------------	------------

Beneficial Owner -----	Beneficially Owned -----	of Class -----
Harold E. Antonson 8400 Louisiana Street Merrillville, IN 46410	3,311,746 (1)	27.6%
August Investment Partnership 8400 Louisiana Street Merrillville, IN 46410	1,150,946	9.6%
Brad A. James Director	1,317,927 (2)	11.0%
Michael Kibler 8400 Louisiana Street Merrillville, IN 46410	3,252,301 (1)	27.1%

- (1) Includes shares held by August Investment Partnership, August Investment Corporation, Eastern Refrigerated Transport, Inc., Enterprise Truck Lines, Inc., Seagate Transportation Services, Inc., and American Inter-Fidelity Exchange, of which Messrs. Kibler and Antonson are either directors, partners, or significant shareholders or otherwise share the voting and dispositive authority with respect to these shares. Also includes 200,000 shares of restricted stock for each.
- (2) Includes shares held by Seagate Transportation Services, Inc. and August Investment Partnership, of which Mr. James is a director, partner or significant shareholder.

Item 13. Certain Relationships and Related Transactions

The Company's administrative offices are at 1000 Colfax, Gary, Indiana. The Company leases its administrative offices of approximately 5,000 square feet on a month-to-month basis for \$4,000 per month. Patriot Logistics, Inc. leases office space in Fort Smith, Arkansas of approximately 13,250 square feet on a month-to-month basis for \$3,216. Both companies lease their space from Mr. Michael E. Kibler, President, Chief Executive Officer, and a director of the Company, and Mr. Harold E. Antonson, Treasurer, Chief Financial Officer, and a director of the Company.

Item 13. Certain Relationships and Related Transactions (continued)

One of the Company's subsidiaries provides safety, management, and accounting services to companies controlled by the Chief Executive Officer and Chief Financial Officer of the Company. These services are priced to cover the cost of the employees providing the services. Revenues related to those services were approximately \$66,000 \$119,000, and \$104,000 in 2005, 2004, and 2003, respectively. Accounts receivable due from entities affiliated through common ownership was \$144,000, \$175,000 and \$51,000 as of December 31, 2005, 2004 and 2003, respectively.

One of the Subsidiaries insurance providers, AIFE, is managed by a director of the Company. The Company has an investment of \$126,461 in AIFE. AIFE provides auto liability insurance to several subsidiaries of the Company as well as other entities related to the Company by common ownership. For the years ended December 31, 2005, 2004 and 2003, cash paid to AIFE for insurance

premiums and deductibles was approximately \$4,787,000, 5,673,000, and \$5,373,000, respectively.

The Company exercises no control over the operations of AIFE. As a result, the Company recorded its investment in AIFE under the cost method of accounting for each of the three years ending December 31, 2003, 2004, and 2005. Under the cost method, the investment in AIFE is reflected at its original amount and income is recognized only to the extent of dividends paid by AIFE. There were no dividends declared by AIFE for the years ended December 31, 2005, 2004 and 2003.

If AIFE incurs a net loss, the loss may be allocated to the various policyholders based on each policyholder's premium as a percentage of the total premiums of AIFE for the related period. There has been no such loss assessment for each of the three years ending December 31, 2005, 2004, and 2003. The Subsidiaries currently account for the majority of the premiums of AIFE. For fiscal year 2004, the Subsidiaries accounted for approximately 85% of the total premium revenue of AIFE. At December 31, 2004, AIFE had net worth of approximately \$6.9 million, a portion of which is attributable to other policyholders of AIFE.

In addition, the Chief Executive Officer and Chief Financial Officer, as well as another director of the Company, are the sole shareholders of American Inter-Fidelity Corporation (AIFC), which serves as the attorney in fact of AIFE. AIFC is entitled to receive a management fee from AIFE. AIFE incurred management fees of approximately \$300,000, \$405,000, and \$354,000 for the years ended December 31, 2005, 2004, and 2003, respectively. These management fees are available to be paid as dividends to these officers and directors of the Company.

In 2005 the company paid \$24,000 in consulting fees to a director of the company relating to insurance services. In 2004, the Company paid \$24,000 in consulting fees and \$8,000 in 2003.

The Company has notes payable due to its Chief Executive Officer, Chief Financial Officer, and August Investment Partnership, an entity affiliated through common ownership, as described in Note 7 to the consolidated financial statements.

Item 14. Principal Accounting Fees and Services

The following table shows the fees paid or accrued by the Company for the audit and other services provided by BDO Seidman, LLP

	2005	2004
Audit Fees (1)	\$150,000	\$144,000
Audit-Related Fees(2)	\$ 0	\$ 0
Tax Fees(2)	\$ 0	\$ 0
All Other Fees(3)	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$150,000</u>	<u>\$144,000</u>

- (1) Audit fees include fees associated with the annual audit of our consolidated financial statements and reviews of our quarterly reports on Form 10-Q.
- (2) There were no audit related services or tax fees.
- (3) There were no other services or fees.

The Audit Committee must pre-approve audit-related and non-audit services not prohibited by law to be performed by the Company's independent registered public accounting firm. There were no audit-related, tax or other fees during 2004.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements:

Reports of Independent Registered Public Accountant Firm	22
Consolidated Balance Sheets as of December 31, 2005 and 2004	23
Consolidated Statements of Income for the years ended December 31, 2005, 2004, and 2003	25
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2005, 2004, and 2003	26
Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004, and 2003	27
Notes to Consolidated Financial Statements	29

(a)(2) Financial Statement Schedules:

Schedule of Valuation and Qualifying Accounts	37
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Other schedules are not included because of the absence of the conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.

(a)(3) List of Exhibits

The following exhibits, numbered in accordance with Item 601 of Regulation S-K, are filed as part of this report:

Item 15. Exhibits and Financial Statement Schedules (continued)

- Exhibit 3.1 Articles of Incorporation of the Company.
(incorporated herein by reference to the Company's Proxy Statement of November 9, 1993).
- Exhibit 3.2 By-Laws of the Company.
(incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
- Exhibit 10.11 Amended and Restated Loan and Security Agreement with US BANK and Carolina National Transportation Inc., Keystone Lines, Gulfline Transport Inc., Five Star Transport, Inc., Cam Transport, Inc., and US 1 Industries, Inc. (incorporated by reference to the Company's Form 10-K for the year ended December 31, 2004 filed on March 24, 2005).

- Exhibit 10.12 Amended and Restated Loan Agreement with US BANK and Carolina National Transportation Inc., Gulfline Transport Inc., Five Star Transport, Inc., Cam Transport, Inc., Unity Logistic Services, Inc., ERX, Inc., Friendly Transport, Inc., Transport Leasing, Inc., Harbor Bridge Intermodal, Inc., Patriot Logistics, Inc., Liberty Transport, Inc., Keystone Lines Corporation, and US 1 Industries, Inc. (incorporated by revenue to the Company's Form 10-Q for the nine months ended September 30, 2005 filed on November 11, 2005).
- Exhibit 10.13 Amendment to Amended and Restated Loan Agreement with US BANK and Carolina National, Transportation Inc., Gulfline Transport Inc., Five Star Transport, Inc., Cam Transport, Inc., Unity Logistic Services, Inc., ERX, Inc., Friendly, Transport, Inc., Transport Leasing, Inc., Harbor Bridge Intermodal, Inc., Patriot Logistics, Inc., Liberty Transport, Inc., Keystone Lines Corporation, and US 1 Industries, Inc. (incorporated by revenue to the Company's Form 10-Q for the nine months ended September 30, 2005 filed on November 11, 2005).
- Exhibit 10.14 Second Amendment to Amended and Restated Loan Agreement with US BANK and Carolina National, Transportation Inc., Gulfline Transport Inc., Five Star Transport, Inc., Cam Transport, Inc., Unity Logistic Services, Inc., ERX, Inc., Friendly, Transport, Inc., Transport Leasing, Inc., Harbor Bridge Intermodal, Inc., Patriot Logistics, Inc., Liberty Transport, Inc., Keystone Lines Corporation, and US 1 Industries, Inc. (incorporated by revenue to the Company's Form 10-Q for the nine months ended September 30, 2005 filed on November 11, 2005).
- Exhibit 14.1 US 1 Industries, Inc. Code of Ethics (by reference to the Company's Form 10-K for the year ended December 31, 2003 filed on March 26, 2005).
- Exhibit 21.1 Subsidiaries of the Registrant
- Exhibit 31.1 Rule 13a-14(a)\15d-14a(a) Certifications
- Exhibit 32.1 Section 1350 Certifications

SIGNATURES

Pursuant to the requirements of Sections 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

US 1 INDUSTRIES, INC.

Date: _____

By: _____

Michael E. Kibler
President & Chief Executive Officer
(Principal Executive Officer)

Date: _____

By: _____

Harold Antonson
Chief Financial Officer & Treasurer
(Principal Financial & Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: _____

Michael E. Kibler, Director

Date: _____

Robert I. Scissors, Director

Date: _____

Lex L. Venditti, Director

Date: _____

Brad James, Director

Date: _____

Harold Antonson, Director

Exhibit 31.1

Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002

I, Michael E. Kibler, certify that:

1. I have reviewed this annual report on Form 10-K of US 1 Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 21, 2006

/s/ Michael E. Kibler

Michael E. Kibler
Chief Executive Officer

Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002

I, Harold E. Antonson, certify that:

1. I have reviewed this annual report on Form 10-K of US 1 Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 21, 2006

/s/ Harold E. Antonson

Harold E. Antonson
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

I, Michael E. Kibler, as the President and Chief Executive Officer of US 1 Industries, Inc., certify that, to the best of my knowledge and belief, the Annual Report on Form 10-K for the year ended December 31, 2005, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of US 1 Industries, Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose. The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Dated this 21st day of March 2006.

/s/ Michael E. Kibler
Michael E. Kibler
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to US 1 Industries, Inc. and will be retained by US 1 Industries, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

I, Harold E. Antonson, as the Executive Vice President and Chief Financial Officer of US 1 Industries, Inc., certify that, to the best of my knowledge and belief, the Annual Report on Form 10-K for the year ended December 31, 2005, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of US 1 Industries, Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose. The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Dated this 21st day of March 2006.

/s/ Harold E. Antonson
Harold E. Antonson
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to US 1 Industries, Inc. and will be retained by US 1 Industries, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.