

FORM 10-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

[X] 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, 2000.

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

(State of Incorporation)

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

95-3585609

1000 Colfax, Gary, Indiana 46406

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (219) 944-6116

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

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

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

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. [X]

On March 15, 2001, there were 10,618,224 shares of registrant's common stock were outstanding, and the aggregate market value of the voting stock held by non affiliates of the registrant was approximately \$1,000,000. For purposes of the forgoing statement, directors and officers of the registrant have been assumed to be affiliates.

PART 1

Item 1. Business.

The registrant, US 1 Industries, Inc. (hereinafter referred to, together with its subsidiaries, as "US 1" or the "Company"), through its subsidiaries is an interstate trucking company operating in 48 states. The Company's business consists principally of a truckload operation for which the Company obtains substantially all of its business through independent sales 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 Indiana. The Company's subsidiaries consist of Blue and Grey Transport, Inc., an Indiana corporation, ("BGT"), Blue and Grey Brokerage, Inc., an Indiana corporation, ("BGB"), Carolina National Logistics, Inc. an Indiana corporation, ("CNL"), Carolina National Transportation, Inc., an Indiana corporation ("CNT"), Accu Scan Drug Testing, Inc., an Indiana corporation ("ACCU"), Keystone Logistics, Inc. an Indiana corporation, ("KYL"), Unity Logistics, Inc. and Indiana Corporation, ("UNL"), Gulf Line Brokerage, Inc., an Indiana corporation ("GLB"), Gulf Line Transportation, Inc., an Indiana corporation ("GLT"), Keystone Lines, a California corporation ("Keystone"), CAM Transport, Inc., an Indiana corporation, ("CAM"), and TC Services, Inc., a California corporation ("TCS"). BGT, BGB, CAM, CNL, CNT, GLB, GLT, ACCU, KYL and Keystone operate under authority granted by the United States Department of Transportation (the "DOT") and various state agencies.

Operations

The Company carries virtually all forms of freight transported by truck, except bulk goods, including specialized trucking services such as containerized, refrigerated, and flatbed transportation, and this year started a division that hauls over-size and over-weight loads.

The Company is a non-asset based business, contracting with independent truckers (who generally own the truck they drive) and sales agents. 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. 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's revenues are affected by competition and the state of the economy.

The Company's principal focus during 2000 was business growth. The Company focused on the expansion of Carolina National Transportation, Inc., the startup of the division that specializes in over-weight/over-sized freight, the start up of CAM Transportation, Inc., and controlling the cost of operations.

Marketing and Customers

The Company conducts its business through a network of independent sales agents who are in regular contact with shippers at the local level. The sales 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 10% of the Company's revenues from its trucking operations.

During 2000, the Company utilized the services of approximately 40 sales agents. One agent accounted for 13%, 18%, and 15% of the Company's revenue for the years ended December 31, 2000, 1999, and 1998 respectively. The Company shipped freight for approximately 1,000 customers in 2000, none of which accounted for more than 10% of the Company's total revenues.

Independent Contractors

The independent contractors 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. 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 have random drug testing, enforce hours of service requirements, and monitor maintenance of vehicles.

Employees

At December 31, 2000, the Company had approximately fifty-five 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, 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 sales agents. Sales 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.

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

Insurance

The Company insures the trucks with liability insurance coverage of up to \$2 million per occurrence with a \$5,000 deductible. The Company has cargo insurance coverage of up to \$1,000,000 per occurrence with a \$10,000 deductible. The Company also maintains a commercial general liability policy with a limit of \$1,000,000 per

occurrence and no deductible.

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 benefits available to employees. 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 Internal Revenue Service regulations. 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.

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 agent or in the prices charged to its customer.

Regulation

The Company is a common and contract motor carrier regulated by the DOT and various state agencies. Historically, the Interstate Commerce Commission (the "ICC") and various state agencies regulated motor carriers' operating rights, accounting systems, mergers and acquisitions, periodic financial reporting, and other matters. In 1995 federal legislation preempted state regulation of prices, routes, and services of motor carriers and eliminated the ICC. Several ICC functions were transferred to the DOT. Management does not believe that regulation by the DOT or by the states in their remaining areas of authority will have 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's operations are subject to various federal, state, and local environmental laws and regulations, implemented principally by the 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 material compliance with current laws and regulations and does not know of any existing condition 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 owns property in Phoenix, Arizona that was formerly leased to Transcon Lines ("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 State 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 extent of existing problems. Estimates of the costs to complete the future remediation of approximately \$141,000 are considered in the land valuation allowance at December 31, 2000 and 1999.

Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

The statements contained in Item 1 (Description of Business) and Item 6 (Management Discussion and Analysis of Financial Condition and Results of Operation); particularly the statements under "Future Prospects" contain forward-looking statements that are subject to a variety of risks and uncertainties. The Company cautions readers that these risks and uncertainties could cause the Company's actual results in 2001 and beyond to differ materially from those suggested by any forward-looking statements. These risks and uncertainties include, without limitation, a lack of historic information for new operations on which expectations regarding their future performance can be based, general economic and business conditions affecting the trucking industry, competition from, among others, national and regional trucking companies that have greater financial and marketing resources than the Company, the availability of sufficient capital, and the Company's ability to successfully attract and retain qualified owner operators and agents.

Item 2. Properties

The Company's administrative offices are at 1000 Colfax, Gary, Indiana. The Company leases its administrative offices on a month to month basis for \$2,200 per month 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.

Carolina National Transportation, Inc. leases 3,900 sq. ft of office space in Mt. Pleasant, SC for \$5,700 per month. The current lease expires June 30, 2001. The Company anticipates that the lease will be renewed in fiscal year 2001.

Keystone Logistics, Inc. leases 1,591 sq. ft of office space in South Bend, Indiana for \$1,250 per month. The current lease expires October 31, 2002.

Cam Transport, Inc. leases an office building in Gulfport, Mississippi for \$2,250 per month. The current lease expires November 1, 2003.

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

Cam Regional Transport filed a complaint against the Company in 1994 which alleges breach of contract, claiming that Trailblazer Transportation, Inc., a subsidiary of the Company which filed bankruptcy, failed to abide by a purchase agreement entered into with Cam Regional Transport, Inc. and Laurel Mountain Leasing, Inc. The complaint seeks damages of \$284,000 plus interest from November 1992.

The Company is currently involved in two lawsuits, one of which is a class action lawsuit, as a result of an August 1999 incident in which a Carolina National Transportation, Inc. truck overturned leaking chemicals. It is the Company's position that it is not at fault. The Company contends that the materials inside the container were improperly packaged by a third party, that the chemicals which leaked were not harmful in nature, and that those persons alleging injuries were not harmed.

The Company is also involved in two lawsuits as a result of a chemical leak that occurred in a container hauled by a Carolina National Transportation, Inc truck. It is the Company's position that they are not at fault for this incident because they are merely the shipper and a third party had the responsibility to package the load for safe transportation.

At this time, the Company and its legal counsel are unable to assess the outcome of these complaints. The Company intends to vigorously defend itself in these matters.

The Company is involved in other litigation in the normal course of its business. Management intends to vigorously defend these cases. In the opinion of management, the litigation now pending will not have a material adverse effect on the consolidated financial position of the company.

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

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of 2000.

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.

The following table sets forth for the period indicated the high and low sales prices per share of the Common Stock as reported from NASDAQ 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>2000</u>		
First Quarter	.3750	.0500
Second Quarter	.2500	.0620
Third Quarter	.3120	.0620
Fourth Quarter	.1800	.0625
<u>1999</u>		
First Quarter	.0937	.0312
Second Quarter	.1250	.0156
Third Quarter	.1250	.0156
Fourth Quarter	.1406	.0468

As of March 15, 2001, there were 3,246 holders of record of Common Stock.

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

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, 2000, 1999 and 1998 have been audited by the Company's independent certified public accountants, whose report on such consolidated financial statements is 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."

(in thousands, except per share data)

	Fiscal Year Ended December 31,				
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
STATEMENT OF OPERATIONS DATA:					
Operating revenues	\$49,055	\$32,333	\$30,177	\$25,422	\$15,412
Purchased transportation	38,337	24,846	23,417	19,676	11,694
Commissions	4,438	3,052	3,178	2,361	1,498
Other operating costs and expenses	4,988	3,481	3,408	3,806	2,394
Operating income (loss)	1,292	954	174	(421)	(174)
Interest expense	623	661	744	435	282
Income(loss) before extraordinary item	1,602	412	173	(803)	(339)
Net income (loss)	1,602	412	173	(192)	341
Income (loss) per common share before					
Net Income before extraordinary items:					
Basic	\$0.14	\$0.03	\$0.01	(\$0.08)	(\$0.01)
Diluted	\$0.14	\$0.03	\$0.01	(\$0.08)	(\$0.01)
Extraordinary item					
Basic	\$0.00	\$0.00	\$0.00	\$0.06	\$0.05
Diluted	\$0.00	\$0.00	\$0.00	\$0.06	\$0.05
Net Income					
Basic	\$0.14	\$0.03	\$0.01	(\$0.02)	\$0.04
Diluted	\$0.14	\$0.03	\$0.01	(\$0.02)	\$0.04
Weighted average shares outstanding:					
Basic	10,618,224	10,618,224	10,618,224	10,616,397	9,879,077
Diluted	10,618,224	10,618,224	10,618,224	10,616,397	9,879,077
BALANCE SHEET DATA:					
Total assets	11,891	5,352	4,499	6,261	2,198
Long-term debt, including					
current portion	4,259	2,547	2,967	2,571	583
Working capital	1,846	(712)	(861)	(1,451)	(3,016)
Shareholders' deficiency	(2,459)	(3,968)	(4,298)	(4,399)	(4,020)
OTHER DATA:					
Cash (used in) provided by					
operating activities	(2,833)	(370)	490	(3,630)	(445)
Cash (used in) provided by					
investing activities	(84)	74	58	(269)	149
Cash provided by (used in)					
financing activities	2,916	296	(848)	3,971	468

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. Purchased transportation is the largest component of operating expenses and, on a consolidated basis, increases or decreases in proportion to the revenue generated through independent contractors. Commission to agents and brokers are primarily based on contractually agreed-upon percentages of revenue. Commissions to agents and brokers as a percentage of consolidated revenue will vary directly with revenue generated through independent commission sales agents.

A majority of the insurance and claims 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 following table set forth the percentage relationships of expense items to revenue for the periods indicated:

	Fiscal Years		
	2000	1999	1998
Revenue	100.0%	100.0%	100.0%
Operating expenses:			
Purchased transportation	78.2	76.8	77.6
Commissions	9.0	9.4	10.5
Insurance and claims	3.2	3.3	3.1
Salaries, wages and other	3.5	3.9	4.1
Other operating expenses	3.5	3.6	4.1
Total operating expenses	97.4	97.0	99.4
Operating income	2.6	3.0	0.6

2000 Compared to 1999

Revenue for the 2000 fiscal year was \$49.1 million, an increase of \$16.7 million, or 51.7%, over revenue for the 1999 fiscal year. The increase was attributable to continued growth at Carolina National Transportation, the operations of a new agent who specialized in over-size loads at Keystone Lines, expansion of Keystone Logistics, Inc. and the startup of two new Companies, CAM Transport, Inc. and Unity Logistics, Inc.

Purchased transportation was 78.2% of revenue in 2000 compared with 76.8% in 1999. Purchased transportation has increased 1.4% as a percentage of revenue for the year ended December 31, 2000, compared to the year ended December 31, 1999. Due to the increase in diesel fuel prices, the Company has begun to bill their customers a fuel surcharge that is reimbursable to the owner operator at 100%. Because this

portion of the revenue is reimbursed at 100% to the owner operator, the purchased transportation as a percentage of revenue will increase.

Commissions to agents were 9.0% of revenue in 2000 compared with 9.4% in 1999 primarily due to contracts with newer agents being negotiated at a lower percentage rate.

Insurance and claims were 3.2% of revenue in 2000 compared with 3.3% in 1999 primarily due to a decrease in claims relative to revenue and a slight decrease in liability insurance rates.

Salaries, wages and other expenses were 3.5% of revenue in 2000 and 3.9% in 1999. The slight decrease in salaries, wages and other expenses as a percentage of revenue was due to the Company's continued efforts to control overhead costs coupled with the increase in revenue. Other operating expenses were 3.5% of revenue in 2000 and 3.6% in 1999. The decrease in other operating expenses as a percentage of revenue was also primarily attributable to the cost containment measures coupled with the increase in revenue.

Based on the changes in revenue and expenses discussed above, operating income increased by \$337,814 from \$953,859 in 1999 to \$1,291,673 in 2000.

Interest expense decreased slightly to \$0.62 million in 2000 from \$0.66 million in 1999. Although the Company's new lender is charging lower interest rates, the loan balance is higher due to continued Company growth. The net effect was a small decrease in interest expense.

Non-operating income (expense), exclusive of interest expense, increased from \$118,547 in 1999 to \$132,988 in 2000. The increase was primarily attributable to a refund from the state of Alabama for permits paid in prior years but was reversed by the courts and refunded to the Company.

The Company has net operating loss carry-forwards of approximately \$57 million at December 31, 2000. These carry-forwards are available to offset taxable income in future years and substantially all of these carry-forwards will expire in the years 2003 through 2010. Based on the company's profitability in recent years, at December 31, 2000, the Company has realized a net deferred tax asset of \$800,000. The Company believes it is more likely than not that this amount will be realized as a result of anticipated future taxable income to be generated. Due to the uncertainty of the remaining tax asset, a valuation allowance has been maintained for the remaining deferred tax asset at December 31, 2000.

Net income in 2000 was \$1,601,671 compared with \$411,897 in 1999. Income before Income Tax Benefit was \$ 801,671 in 2000 compared with 411,897 in 1999 a 95% increase. Income available to common shareholders was \$1,509,099, or \$0.14 per common share, in 2000 compared with \$329,611, or \$0.03 per common share, in the prior year.

1999 Compared to 1998

Revenue for the fiscal year 1999 was \$32.3 million, an increase of \$2.2 million, or 7.1%, over revenue for the 1998 fiscal year. The increase was attributable to continued growth at Carolina National Transportation, and the operations of a new agent at Keystone Lines.

Purchased transportation was 76.8% of revenue in 1999 compared with 77.6% in 1998. The decrease in the percentage of purchased transportation to revenue was primarily attributable to management having better control over the ancillary costs.

Commissions to agents were 9.4% of revenue in 1999 compared with 10.5% in 1998 primarily due to contracts with newer divisions negotiated a lower percentage rate.

Insurance and claims were 3.3% of revenue in 1999 compared with 3.1% in 1998 primarily due to higher premium costs associated with a new insurance carrier for Carolina National Transportation, Inc.

Salaries, wages and other expenses were 3.9% of revenue in 1999 and 4.1% in 1998. The slight decrease in salaries, wages and other expenses as a percentage of revenue was due to the Company's continued efforts to control overhead costs. Other operating expenses were 3.6% of revenue in 1999 and 4.1% in 1998. The decrease in other operating expenses as a percentage of revenue was also primarily attributable to the cost containment measures established by the Company.

Based on the changes in revenue and expenses discussed above, operating income increased by \$780,000 from \$174,000 in 1998 to \$964,000 in 1999.

Interest expense remained constant at \$0.7 million for fiscal year 1999 and 1998. An increase in the Company's interest rate on its revolving line of credit to a default rate of prime plus 4.75% was equally offset by a decrease in the average outstanding balance in 1999.

Non-operating income (expense), exclusive of interest expense, decreased from \$743,000 in 1998 to \$119,000 in 1999. The decrease was primarily attributable to the write off of old payables in 1998 as discussed in Note 13 to the consolidated financial statements.

Net income in 1999 was \$412,000 compared with \$173,000 in 1998. Income available to common shareholders was \$330,000, or \$0.03 per common share, in 1999 compared with \$101,000, or \$0.01 per common share, in the prior year.

Liquidity and Capital Resources

During fiscal 2000, the Company's financial position continued to improve. The Company had a net deficiency in shareholders' equity of \$2.5 million at December 31, 2000 compared with \$4.0 million at December 31, 1999. Working capital at December 31, 2000 was \$1.8 million compared to a deficiency of (\$0.7) million at the end of 1999. This increase in working capital is due to refinancing a portion of the former line of credit with long-term shareholder debt and continuing profitability.

Net cash used in operating activities increased \$2.4 million from \$0.4 million for the year ended December 31, 1999 to \$2.8 million for the year ended December 31, 2000. The cash used in operations is due primarily to an increase in accounts receivable of \$5.0 million resulting from increased revenue in fiscal 2000 as the Company continued to add new agents and expand operations. The impact of the increased accounts receivable on cash flows is partially offset by an increase in accounts payable of \$1.3 million, an increase in accrued expenses of \$0.6 million, and net income of \$1.6 million during fiscal 2000.

Net cash used in investing activities was \$84,000 for the year ended December 31, 2000 compared to net cash provided by investing activities of \$74,000 for the year ended December 31, 1999. Net cash used in investing activities during 2000 related to the investment in additional equipment. During 1999, the Company sold some equipment.

Net cash provided by financing activities increased \$2.6 million from \$0.3 million for the year ended December 31, 1999 to \$3.0 million for the year ended December 31, 2000. The cash provided by financing activities is primarily due to a net increase in the Company's line of credit of \$1.2 million, an increase in the bank overdraft of \$0.2 million, and an increase in shareholder loans of \$1.5 million. The overall increase in debt is due to the increased revenues of the company resulting in an increase in the accounts receivable balance.

In April 2000, the Company refinanced its line of credit with a new lender. The Company received a \$2,000,000 line of credit that was subsequently increased to \$3,500,000 in June 2000. In December 2000, the lender agreed to further amend the Loan Agreement to establish a separate line of equipment financing in the amount of \$500,000 and increase the amount of the Revolving Loan Commitment from \$3,500,000 to \$5,500,000. Advances under this new line-of-credit are limited to 70% of eligible accounts receivable. Advances bear interest at the lender's prime rate plus .5%. This new line of credit is secured by substantially all of the Company's assets and required personal guarantees totaling \$3 million from the Company's Chief Executive Officer and Chief Financial Officer. In connection with this debt refinancing, officers of the Company advanced approximately \$1.5 million of subordinated debt to the company.

Environmental Liabilities

The Company is not a party to any Super-fund litigation and otherwise does not have any known environmental claims against it. However, the Company does have one property where soil contamination problems existed or are known to exist currently. The Company has preliminarily evaluated its potential liability as this site and believes that it has reserved appropriately for its remediation 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 its customers are generally reflected in the cost of purchased transportation and commissions paid by the Company to independent contractors and agents, respectively. Therefore, management believes that future operating results of the Company will be affected primarily by changes in volume of business. However, due to the highly competitive nature of the truckload motor carrier industry, it is possible that future freight rates and cost of purchased transportation may fluctuate, affecting the Company's profitability.

Recently Issued Accounting Standards

During the second quarter of 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, which amended SFAS No. 133 to delay its effective date by one year. SFAS No. 133 is effective for the Company on January 1, 2001. SFAS No. 133 required that all derivative instruments be recorded on the consolidated balance sheet at their fair value. Changes in the fair value of derivatives will be recorded each period in earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In June 2000, the FASB issued SFAS No. 138, which amended SFAS No. 133. The Company's management has reviewed the terms of all material contracts and financial instruments and has determined that the adoption of SFAS No. 133, as amended, will have no material impact on its financial position or results of operations.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The Company has a revolving line of credit with a bank which bears interest at the prime rate (9.5% at December 31, 2000) plus .5%. Beginning in January 2001, the interest rate will be based on certain financial covenants and may range from prime to prime plus .5%. The Company also has subordinated debt with related parties which bears interest at rates ranging from prime + .75% to prime plus 1%.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the 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, 2000 and 1999 and the related consolidated statements of operations, shareholders' deficiency, and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and the schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

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

BDO Seidman, LLP

Chicago, Illinois
March 13, 2001

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

ASSETS

	<u>2000</u>	<u>1999</u>
CURRENT ASSETS:		
Accounts receivable-trade, less allowance for doubtful accounts of \$209,000 and \$67,000 respectively	\$9,911,436	\$4,972,846
Other receivables	382,057	105,770
Deposits	309,897	162,173
Prepaid expenses	166,911	9,245
Current Deferred tax asset	400,000	0
	-----	-----
Total current assets	11,170,301	5,250,034
FIXED ASSETS:		
Equipment	335,402	100,738
Less accumulated depreciation and amortization	(68,797)	(52,756)
	-----	-----
Net fixed assets	266,605	47,982
	-----	-----
ASSETS HELD FOR SALE:		
Land	195,347	195,347
Valuation allowance	(141,347)	(141,347)
	-----	-----
Net assets held for sale	54,000	54,000
Noncurrent Deferred tax asset	400,000	0
	-----	-----
TOTAL ASSETS	\$11,890,906	\$ 5,352,016
	=====	=====

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

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

	<u>2000</u>	<u>1999</u>
CURRENT LIABILITIES:		
Short-term debt	4,503,896	3,173,990
Accounts payable	\$2,621,107	\$ 1,341,134
Bank overdraft	522,201	345,719
Accrued expenses	244,446	215,505
Insurance and claims	418,450	204,592
Accrued compensation	33,891	17,314
Accrued interest	836,019	613,567
Fuel and other taxes payable	143,796	49,948
	-----	-----
Total current liabilities	9,323,806	5,961,769
	-----	-----
LONG-TERM DEBT TO RELATED PARTIES	4,026,210	2,451,028
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE PREFERRED STOCK:		
Authorized 5,000,000 shares; no par value, Series A shares issued and outstanding: 2000 and 1999 - 1,094,224		
Liquidation preference \$0.3125 per share	1,000,112	907,540
SHAREHOLDERS' DEFICIENCY:		
Common stock, authorized 20,000,000 shares; no par value; shares issued and outstanding: 2000 and 1999 - 10,618,224	40,844,296	40,844,296
Accumulated deficit	(43,303,518)	(44,812,617)
	-----	-----
Total shareholders' deficiency	(2,459,222)	(3,968,321)
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$11,890,906	\$ 5,352,016
	=====	=====

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

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
YEARS ENDED DECEMBER 31, 2000, AND 1999

	2000	1999	1998
OPERATING REVENUES	\$49,055,354	\$32,333,528	\$30,176,818
OPERATING EXPENSES:			
Purchased transportation	38,336,905	24,846,421	23,416,624
Commissions	4,438,324	3,052,406	3,177,908
Insurance and claims	1,553,892	1,070,564	938,044
Salaries, wages, and other	1,719,291	1,248,089	1,223,113
Other Operating expenses	<u>1,715,269</u>	<u>1,162,189</u>	<u>1,247,334</u>
Total operating expenses	<u>47,763,681</u>	<u>31,379,669</u>	<u>30,003,023</u>
OPERATING INCOME	1,291,673	953,859	173,795
NON OPERATING INCOME (EXPENSE):			
Interest income	19,003	9,840	7,702
Interest expense	(622,990)	(660,509)	(743,953)
Write off of old payables			530,674
Other income, net	<u>113,985</u>	<u>108,707</u>	<u>204,419</u>
Total non operating expense	(490,002)	(541,962)	(1,158)
NET INCOME BEFORE INCOME TAXES	801,671	411,897	172,637
Income tax benefit	<u>800,000</u>	<u>0</u>	<u>0</u>
NET INCOME	1,601,671	411,897	172,637
DIVIDENDS ON PREFERRED SHARES	<u>92,572</u>	<u>82,286</u>	<u>72,000</u>
NET INCOME AVAILABLE TO COMMON SHARES	\$ <u>1,509,099</u>	\$ <u>329,611</u>	\$ <u>\$100,637</u>

Basic and Diluted Net Income			
Per Common Share	\$0.14	\$0.03	\$0.01

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING -			
BASIC AND DILUTED	10,618,224	10,618,224	10,618,224

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

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIENCY
YEARS ENDED DECEMBER 31, 2000, 1999, 1998, and 1997

	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balance at				
December 31, 1997	10,618,224	\$40,844,296	\$(45,242,865)	\$(4,398,569)
Dividends on Preferred Stock			(72,000)	(72,000)
Net income			172,637	172,637
Balance at				
December 31, 1998	<u>10,618,224</u>	<u>40,844,296</u>	<u>(45,142,228)</u>	<u>(4,297,932)</u>
Dividends on Preferred Stock			(82,286)	(82,286)
Net Income			411,897	411,897
Balance at				
December 31, 1999	<u>10,618,224</u>	<u>40,844,296</u>	<u>(44,812,617)</u>	<u>(3,968,321)</u>
Dividends on Preferred Stock			(92,572)	(92,572)
Net Income			<u>1,601,671</u>	<u>1,601,671</u>
Balance at				
December 31, 2000	<u>10,618,224</u>	<u>\$40,844,296</u>	<u>\$(43,303,518)</u>	<u>\$(2,459,222)</u>
	=====	=====	=====	=====

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, 2000, 1999 AND 1998

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 1,601,671	\$ 411,897	\$ 172,637
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	26,818	30,795	74,963
Deferred Income Tax benefit	(800,000)	0	0
Write off of old payables			(530,674)
Loss on disposal of equipment	3,609	30,177	17,488
Gain on sale of property			(44,800)
Changes in operating assets and liabilities:			
Accounts receivable-trade	(4,938,590)	(930,880)	1,024,290
Other receivables	(276,287)	(46,116)	277,265
Prepaid expenses	(147,724)	18,553	55,933
Deposits	(157,666)	(29,744)	21,639
Accounts payable	1,279,973	(104,755)	(758,417)
Accrued expenses	28,941	32,105	207,570
Insurance and claims	213,858	23,068	(60,083)
Accrued interest	222,452	220,684	252,059
Accrued compensation	16,577	(277)	(20,711)
Fuel and other taxes payable	<u>93,848</u>	<u>(25,747)</u>	<u>(198,206)</u>
Net cash (used in) provided by operating activities	<u>(2,832,520)</u>	<u>(370,240)</u>	<u>490,953</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(92,500)	(5,183)	(2,566)
Proceeds from sale of property and equipment	<u>8,885</u>	<u>79,358</u>	<u>61,055</u>
Net cash (used in) provided by investing activities	<u>(83,615)</u>	<u>74,175</u>	<u>58,489</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net borrowings (repayments) under line of credit	1,193,498	630,745	(741,720)
Proceeds from long-term debt	158,052	0	0
Repayment of long-term debt	(121,808)	(64,277)	(123,308)
Net proceeds (repayments of) from shareholder loans	1,509,911	(355,718)	287,236
Increase (decrease) in bank overdraft	<u>176,482</u>	<u>85,315</u>	<u>(269,729)</u>
Net cash provided by (used in) financing activities	<u>2,916,135</u>	<u>296,065</u>	<u>(847,521)</u>
NET INCREASE (DECREASE) IN CASH			(298,079)
CASH, BEGINNING OF YEAR			<u>298,079</u>
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	\$400,538	\$439,825	\$491,894
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SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Note payable incurred for purchase of equipment	\$165,435	\$ 0	\$232,700
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The Company recorded \$92,572, \$82,286, and \$72,000 in 2000, 1999, and 1998 respectively, for dividends on preferred stock.

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

US1 INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000, AND 1999

1. OPERATIONS

The Company 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 13%,18%, and 15% of the Company's revenue in 2000,1999, and 1998, respectively. No other agent represented more than 10% of sales for the year ended December 31, 2000,1999 and 1998.

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 significant intercompany accounts and transactions have been eliminated.

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. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of."

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.

US 1 INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEARS ENDED DECEMBER 31, 2000, AND 1999

Recently Issued Accounting Standards-- During the second quarter of 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, which amended SFAS No. 133 to delay its effective date by one year. SFAS No. 133 is effective for the Company on January 1, 2001. SFAS No. 133 required that all derivative instruments be recorded on the consolidated balance sheet at their fair value. Changes in the fair value of derivatives will be recorded each period in earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In June 2000, the FASB issued SFAS No. 138, which amended SFAS No. 133. The Company's management has reviewed the terms of all material contracts and financial instruments and has determined that the adoption of SFAS No. 133, as amended, will have no material impact on its financial position or results of operations.

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 and liabilities. In addition, the amount 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 loss per share under Statement of Financial Accounting Standards No. 128 "Earnings Per Share." The statement required presentation of two amounts, basic and diluted loss per share. Basic loss per share is computed by dividing loss available to common stock holders by the weighted average common shares outstanding. Dilutive earnings per share would include all common stock equivalents. There are no common stock equivalents at December 31, 2000, 1999, or 1998.

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.

3. REDEEMABLE PREFERRED STOCK

The Series A preferred shares are not convertible into common stock, are non-voting, and earn dividends at the rate of \$0.0375 per share per annum (increasing by \$0.0063 on each of January 1, 1995, 1996 and 1997, and by \$0.0094 on January 1, 1998 and on each January 1 thereafter until redeemed) payable quarterly on the first day of February, May, August, and November.

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

The Series A preferred stock is redeemable at the option of the Company or the holders at any time.

As of December 31, 2000, Series A cumulative preferred stock dividends are in arrears by \$452,000. The Company's current line of credit prohibits the payment of dividends.

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 totaled \$100,251, \$77,640, \$70,607 in 2000, 1999, and 1998, respectively.

The Company has an investment of \$126,460 in American Inter-Fidelity Exchange ("AIFE"), an entity which provides the Company with truck liability insurance. AIFE is currently in receivership and managed by the State of Indiana, thus, the Company exercised no control over the operations of AIFE. As a result, the Company has recorded its investment in AIFE under the cost method of accounting for these periods.

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, 2000, 1999 and 1998.

If AIFE is released from the control of the State of Indiana, the investment in AIFE will be determined based on the Company's ownership percentage in and control over AIFE.

A director of the company also manages an affiliated insurance carrier, Indiana Truckers Exchange (ITE). For the years ended December 31, 2000, 1999 and 1998, cash paid for related party insurance premiums and deductibles amounted to \$729,434, \$532,586, and \$751,123, respectively. The Company also has long term notes payable to AIFE and ITE as described in Note 8.

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 8.

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

5. LEASES

The Company leases office space on a month-to-month basis for its headquarters in Gary, Indiana for \$2,200 per month from the Company's Chief Executive Officer and Chief Financial Officer. No formal lease agreement with the Company existed at December 31, 2000. The Company leases office space in Mt. Pleasant, South Carolina for approximately \$5,700 per month. The lease agreement expires in June, 2001. The Company leases office space in South Bend, Indiana for approximately \$1,250 per month. The lease expires in October, 2002. The Company leases an office building in Gulfport, Mississippi for approximately \$2,250 per month. The lease expires in November, 2003.

Rent expense for the years ended December 31, 2000, 1999, and 1998 was approximately \$110,000, \$59,000, and \$59,000 respectively.

Future commitments under these operating leases are as follows:

2001	76,200
2002	39,500
2003	<u>24,750</u>
	<u>140,450</u>

6. SHORT-TERM DEBT

Short-term debt at December 31, 2000 and 1999 comprises:

	December 31, 2000	December 31, 1999
	-----	-----
Line of credit	\$4,271,104	\$3,077,606
Current portion of long-term debt	232,792	96,384
	-----	-----
Total	\$4,503,896	\$3,173,990
	=====	=====

In April 2000, the Company refinanced its existing debt with a new lender. The Company initially received a \$2 million line of credit which was subsequently increased to \$5.5 million.

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

6. SHORT-TERM DEBT (Continued)

The difference between the amount outstanding on the former line of credit and the initial amount of the new line of credit has been financed through subordinated debt from the Company's Chief Executive Officer and Chief Financial Officer or entities controlled by them. During 2000, these officers advanced approximately \$1.5 million to the Company to fund the difference between the former line of credit and the new line of credit agreement.

Under the new revolving line of credit agreement, borrowings are limited to 70% of eligible accounts receivable and bear interest at the prime rate (9.5% at December 31, 2000) plus .5%. Beginning in January 2001, the interest rate will be based on certain financial covenants and may range from prime to prime plus .5%. This line of credit agreement expires in September 2001. Advances under the agreement are collateralized by the Company's accounts receivable, property, and other assets. Borrowings of up to \$3 million are guaranteed by the Chief Executive Officer and Chief Financial Officer of the Company. At December 31, 2000, the outstanding borrowings on this line of credit were \$4.27 million.

In addition to the \$5.5 million line of credit with FIRSTAR BANK, the Company has also established a separate line for equipment financing in the amount of \$500,000 with FIRSTAR BANK. The principal balance of the Equipment Loan shall bear interest in an amount equal to the Prime Rate in effect plus 1% per annum. At December 31, 2000, the outstanding borrowings were \$82,860 (see note 8).

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 the insecurity of the lender concerning the ability of the Company to repay its obligations as and when due 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.

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

7. LONG-TERM DEBT

Long-term debt at December 31, 2000 and 1999 comprises:

	2000	1999
Note payable to the Chief Executive Officer And Chief Financial Officer, interest at prime + .75%, interest only payments required, principal balance due October, 2002	\$3,042,075	1,532,165
Mortgage note payable to the Chief Executive Officer and Chief Financial Officer collateralized by land, interest at prime + .75%, interest only payments required, principal balance due July 2003	500,000	500,000
Note payable to August Investment Partnership, interest at prime + .75%, interest only payments required, principal balance due October 2002	250,000	250,000
Note payable, cargo insurance premium financing, monthly payments of \$18,376 including interest at 11% through September 2001	141,124	0
Mortgage note payable to August Investment Partnership, interest at prime + .75%, interest only payments required, principal balance due October, 2002	100,000	100,000
Note payable, collateralized by equipment, monthly payments of \$1,760.53 including interest at prime +1% through January, 2006	82,860	0
Note payable, collateralized by equipment, monthly payments of \$2,077 including interest at 9.55% through April 2004	70,899	0
Mortgage note payable to ITE, Monthly payments of \$2,850 including Interest at 9% through March 2002	39,217	68,443
Mortgage note payable to AIFE, monthly payments of \$2,150 including interest at 9% through March 2002	29,646	51,689
Note payable, collateralized by equipment, monthly payments of \$3,181 including interest at 7.8% through February, 2001	3,181	45,115
	-----	-----
Total debt	4,259,002	2,547,412
Less current portion	232,792	96,384
	-----	-----
Total long-term debt	\$ 4,026,210	\$ 2,451,028
	=====	=====

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

Interest expense on related party notes was approximately \$342,500, \$261,000, and \$325,000 for the years ended December 31, 2000, 1999, and 1998 respectively.

Scheduled maturities of the long-term debt at December 31, 2000 are due as follows:

2001	\$ 232,792
2002	3,439,272
2003	539,210
2004	26,120
2005	19,862
Thereafter	<u>1,746</u>
	<u>\$4,259,002</u>
	=====

8. STOCK OPTIONS

The Company has a stock option plan which allows the Board of Directors to grant options to officers and certain key employees to purchase common stock at the fair market value on the date of the grant. At December 31, 2000 and 1999, 96,500 share were available for future option grants under the stock option plan. There were no options outstanding under the stock option plan as of December 31, 2000 and 1999.

9. INCOME TAXES

The composition of taxes on income (benefit) is as follows:

<u>Current</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Federal	273,000	140,000	59,000
State	48,000	25,000	10,000
Utilization of net operating loss (321,000) carry-forward	(321,000)	(165,000)	(69,000)
Adjustment of valuation allowance (800,000)	(800,000)	0	0
	<u>(800,000)</u>	<u>0</u>	<u>0</u>
Income tax expense (benefit)	(800,000)	0	0

The Company and its subsidiaries file a consolidated federal income tax return. Deferred income taxes consist of the following:

<u>December 31,</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Total deferred tax assets, relating principally to net operating loss carry-forwards	22,728,000	23,049,000	23,214,000
Deferred tax liabilities	0	0	0
	<u>22,728,000</u>	<u>23,049,000</u>	<u>23,214,000</u>
Less valuation allowance	(21,928,000)	(23,049,000)	(23,214,000)
Total net deferred tax asset	800,000	0	0

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

At December 31, 2000, the Company has realized a net deferred tax asset of \$800,000 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, 2000.

The Company has net operating loss carry-forwards of approximately \$57 million at December 31, 2000. These carry-forwards are available to offset taxable income in future years and substantially all of these carry-forwards will expire in the years 2003 through 2010.

10. COMMITMENTS AND CONTINGENCIES

Cam Regional Transport filed a complaint against the Company in 1994 which alleges breach of contract, claiming that Trailblazer Transportation, Inc., a subsidiary of the Company which filed bankruptcy, failed to abide by a purchase agreement entered into with Cam Regional Transport, Inc. and Laurel Mountain Leasing, Inc. The complaint seeks damages of \$284,000 plus interest from November 1992.

The Company is currently involved in two lawsuits, one of which is a class action lawsuit, as a result of an August 1999 incident in which a Carolina National Transportation, Inc. truck overturned leaking chemicals. It is the Company's position that it is not at fault. The Company contends that the materials inside the container were improperly packaged by a third party, that the chemicals which leaked were not harmful in nature, and that those persons alleging injuries were not harmed.

The Company is also involved in two lawsuits as a result of a chemical leak that occurred in a container hauled by a Carolina National Transportation, Inc truck. It is the Company's position that they are not at fault for this incident because they are merely the shipper and a third party had the responsibility to package the load for safe transportation.

At this time, the Company and its legal counsel are unable to assess the outcome of these complaints. The Company intends to vigorously defend itself in these matters.

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

The Company has entered into an agreement with certain key employees of Carolina National Transportation, Inc. ("Carolina"), a wholly owned subsidiary of the Company, in which these employees will receive up to 40% ownership in Carolina.

These key employees will earn the 40% ownership interest in Carolina over a three year period beginning in the year in which Carolina achieves positive retained earnings. Carolina has a negative retained earnings of \$18,195 and \$482,000 at December 31, 2000 and 1999, respectively.

The Company carries insurance for public liability and property damage, and cargo loss and damage through various programs. 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.

11. ENVIRONMENTAL MATTERS

The Company 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, 2000 and 1999.

12. OTHER MATTERS

- a) In 1999 and 1998, other income (expense), net, in the consolidated statement of operations is comprised primarily of a write off net payables from fiscal years 1996 and 1997 relating to revisions of estimates of amounts due from or payable to drivers and agents.
- b) During 1998, the Company has written off approximately \$531,000 in vendor accounts payable which are no longer considered by management and the Company's legal Counsel to be valid obligations of the Company. These payables relate to fiscal years prior to 1994 and no claims have been made against these amounts since September 1993.

13. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(In thousands, except per share data)

	Operating Revenue	Operating Income	Net Income (loss) (basic and diluted)	Net Income (loss) per share
2000	\$49,055	\$1,292	\$1,602	\$0.14
Quarters:				
Fourth	15,671	449	1,161	0.10
Third	12,761	324	189	0.02
Second	11,593	282	170	0.01
First	9,030	237	82	0.01
1999	\$32,334	\$ 954	\$412	\$0.03
Quarters:				
Fourth	8,666	261	185	0.02
Third	8,078	233	78	0.00
Second	8,198	279	106	0.01
First	7,392	181	43	0.00
1998	\$30,177	\$ 174	\$173	\$0.01
Quarters:				
Fourth	7,287	(327)	95	0.00
Third	7,682	108	(1)	(0.00)
Second	8,082	230	77	0.01
First	7,126	163	2	0.00

US 1 INDUSTRIES, INC.
 VALUATION AND QUALIFYING ACCOUNTS
 YEARS ENDED DECEMBER 1, 1998,1999 AND 2000

Schedule II

<u>Description</u>	Balance At Beginning of <u>Year</u>	Charged to Costs and <u>Expenses</u>	Write-Offs, Retirements & <u>Collection</u>	Balance At <u>End of Year</u>
Year Ended December 31, 1998				
Allowance for Doubtful Accounts Receivable	\$195,000	\$319,256	\$419,256	\$ 95,000
Year Ended December 31, 1999				
Allowance for Doubtful Accounts Receivable	\$ 95,000	\$ 49,027	\$ 77,027	\$ 67,000
Year Ended December 31, 2000				
Allowance for Doubtful Accounts Receivable	\$ 67,000	\$186,233	\$ 44,233	\$209,000

**Item 9. Changes in and Disagreements with Accountants' on Accounting and
 Financial Disclosure.**

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the company as of March 15, 2001 were as follows

NAME	AGE	POSITION
-----	---	-----
Michael E. Kibler	60	President, Chief Executive Officer, and Director
Harold E. Antonson	61	Chief Financial Officer, treasurer, and Director
Lex Venditti	48	Director
Robert I. Scissors	67	Director
Gage Blue	30	Director
Brad James	45	Director

<u>Name</u>	<u>Office and Experience</u>
Michael E. Kibler	Mr. Kibler is President and Chief Executive Officer of the Company and has held these positions since September 13, 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 also a director of American Inter-Fidelity Exchange, an insurance reciprocal located in Indiana that is the subject of an Order of Rehabilitation by the Indiana Department of Insurance. Mr. Kibler has served as a Director of the Company since 1993.
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 American Inter-fidelity Exchange. Mr Antonson is also a partner in August Investment Partnership. Mr. Antonson was elected a director and Treasurer of the Company in November 1999.
Lex Venditti	Mr. Venditti has served as a Director of the Company since 1993. Mr. Venditti has been the General Manager of American Interfidelity, an insurance reciprocal located in Indiana that is the subject of an order of rehabilitation by the Indiana Department of Insurance, since 1995.
Robert Scissors	Mr. Scissors has been a Director of the Company since 1993. Mr. Scissors began his career in the Insurance Industry in 1957. Later, in 1982, Mr. Scissors joined a brokerage firm called Alexander/Alexander where he worked until retiring in 1992. Mr. Scissors currently serves as an insurance consultant and broker.

Directors and Executive Officers of the Registrant (continued)

Gage Blue Mr. Blue was elected Director in 1999. Mr. Blue is Vice President of Operations for Carolina National, a subsidiary of US1 Industries, which began operations in 1996. Mr. Blue has held the position of Vice President of Operations since December 1996.

Brad James Mr. James is the President of Seagate Transportation Services, Inc. Mr. James graduated from Bowling Green University with a Bachelors Degree in Science in Business Administration. He has been in the trucking industry since 1977. Mr. James was elected Director of the Company in 1999.

Item 11. Executive Compensation

The following Summary Compensation Table sets forth compensation paid by the Company during the years ended December 31, 2000, 1999 and 1998 to its Chief Executive Officer. No other officer earned in excess of \$ 100,000.

Summary Compensation Table

Name and Position	Year	Annual Compensation		
		Salary	Bonus	Other
-----	----	-----	-----	-----
Michael Kibler	2000	33,048	0	0
President	1999	33,048	0	0
	1998	33,048	0	0

EMPLOYEE STOCK OPTIONS

The company's 1987 Stock Option Plan (Nonqualified) (the "Option Plan") authorizes the Board of Directors or a committee thereof to grant to officers, including officers who are also directors, and employees of the Company options to purchase from the Company shares of Common Stock. The Option Plan originally covered an aggregate of 570,000 shares of Common Stock. At December 31, 2000 there were no options outstanding under the Option Plan and 96,500 shares remained available for future grants of options thereunder.

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 15, 2001 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
Michael E Kibler Director, President and Chief Executive Officer	3,489,507 (1,2)	32.9%
Robert I. Scissors, Director	36,770	0
Lex L. Venditti Director	20,000	0
Harold E. Antonson Chief Financial Officer, Treasurer and Director	3,489,507 (1,3)	32.9%
All Directors and Executive Officers	3,735,919	35.2%

- (1) As partners of August Investment Partnership (AIP), Messrs. Kibler and Antonson, may be deemed to be beneficial owners of 3,067,840 shares of common stock owned by AIP
- (2) As Director of Eastern Refrigerated Express Inc, (an entity under common control) Messrs. Kibler, Antonson may be deemed to be beneficial owner of 366,667 Shares of Common Stock owned by Eastern.
- (3) Mr. Antonson disclaims beneficial ownership of 197,500 shares of Common Stock owned by American Inter-Fidelity Exchange, of which Mr Antonson is Secretary and Treasurer

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 15, 2001 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 Beneficial Owner -----	Number of Shares of Common Stock Beneficially Owned -----	Percentage of Class -----
Harold E. Antonson 8400 Louisiana Street Merrillville, IN 46410	3,489,507 (1,2,3)	32.9%
August Investment Partnership 8400 Louisiana Street Merrillville, IN 46410	3,067,840	28.9%
Michael Kibler 8400 Louisiana Street Merrillville, IN 46410	3,489,507 (1,3)	33.0%
John K. Lavery 8400 Louisiana Street Merrillville, IN 46410	3,438,507 (1,3)	32.4%

(1) As partners of AIP, Messrs. Kibler, and Antonson, and Lavery may be deemed to be beneficial owners of the shares of Common Stock owned by AIP.

(2) Mr. Antonson disclaims beneficial ownership of 197,500 shares of Common Stock owned by American Inter-Fidelity Exchange, of which Mr. Antonson is Secretary and Treasurer.

(3) As directors of Eastern Refrigerated Express, Inc. Messrs. Antonson, Kibler and Lavery may be deemed to be beneficial owners of 366,667 shares of Common Stock owned by Eastern.

Item 13. Certain Relationships and Related Transactions.

The company leases office space for its headquarters in Gary, Indiana, for \$2,200 per month from Michael E. Kibler, the president and Chief Executive Officer and a director of the Company, and Harold E. Antonson, the Chief Financial Officer, treasurer and a director of the Company. Messrs. Kibler and Antonson own the property as joint tenants.

One of the Company's subsidiaries provides safety, management, and accounting services to companies controlled by the President 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 totaled \$100,251, \$77,640, and \$70,607 in 2000, 1999, and 1998, respectively.

One of the Company's insurance providers, American Inter-Fidelity Exchange (AIFE) is managed by a Director of the Company and the Company has an investment in the Provider. In addition, the Director also manages an affiliated insurance carrier, Indiana Truckers Exchange (ITE). For the years ended December 31, 2000, 1999, and 1998 cash paid for related party insurance premiums and deductibles amounted to \$729,434, \$532,586, and \$751,123, respectively. The Company also has long term notes payable to AIFE and ITE as described in Note 8 to the consolidated financial statements.

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 8 to the consolidated financial statements.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) Financial Statements:

Reports of Independent Certified Public Accountants	13
Consolidated Balance Sheets as of December 31, 1999 and 1998	14 and 15
Consolidated Statements of Operations for the years ended December 31, 2000, 1999, 1998 and 1997	16
Consolidated Statements of Shareholders' Deficiency for the years ended December 31, 2000, 1999, 1998, and 1997	17
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999, 1998, and 1997	18
Notes to Consolidated Financial Statements	19

(a)(2) Financial Statement Schedules:

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:

- 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 10.1 Loan and Security Agreement with FIRSTAR and Carolina National Transportation Inc., Keystone Lines, Inc., Gulflin Transport Inc., and US1 Industries, Inc.
- Exhibit 10.2 Loan agreements with August Investment Partnership and US 1 Industries.
- Exhibit 10.3 Loan agreements with Michael Kibler/Harold Antonson and US 1 Industries.
- Exhibit 10.4 First Amendment of Loan and Security Agreement with FIRSTAR and Carolina National Transportation Inc., Keystone Lines, Gulflin Transport Inc., and US1 Industries, Inc. (by reference to the Company's Form 10-Q for the quarterly period ended June 30, 2000 filed on August 14, 2000) Loan agreements with AIFE/ITE and US 1 Industries.
- Exhibit 10.5 Second Amendment of Loan and Security Agreement with

FIRSTAR and Carolina National Transportation Inc.,
Keystone Lines, Gulfline Transport Inc., Five Star Transport,
Inc., Cam Transport, Inc., and US1 Industries, Inc.

(b) Reports on Form 8-K

NONE

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: _____

Gage Blue, Director

Date: _____

Brad James, Director

Date: _____

Harold Antonson, Director