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LOGISTICS MANAGEMENT RESOURCES INC
Form 10QSB
August 20, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FOR 10-QSB

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

For the Six Months Ended June 30, 2001

Commission File Number: 33-9640-LA

Logistics Management Resources, Inc.

(Exact Name of Issuer as Specified in its Charter)

COLORADO
(State or Other Jurisdiction
incorporation or organization)

68-0133692
(IRS Employer Identification Number)

10602 Timberwood Circle, Suite #9, Louisville, Kentucky 40223

(Address of Principal Executive Offices)

502-339-4000

(Registrant's Telephone Number, Including Area Code)

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

There were 35,156,013 shares of the Registrant's common stock issued at August 16, 2001 with 14,034,753 restricted with an estimated float of 21,037,933.

U.S. TRUCKING, INC.
FORM 10-QSB
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PART I: FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Logistics Management Resources, Inc. and Subsidiary

F.T.A. U.S. Trucking, Inc.

Consolidated Financial Statements

June 30, 2001

Logistics Management Resources, Inc. and Subsidiary

F.T.A. U.S. Trucking, Inc.

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June 30, 2001

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Logistics Management Resources, Inc. and Subsidiary
 F.T.A. U.S. Trucking, Inc.
 Consolidated Balance Sheets

	June 30, 2001	D
	-----	-----
Assets		
Current Assets		
Cash	\$ 10,143	\$
Accounts receivable, net of allowance for doubtful accounts of \$15,287 and \$0, respectively	1,393,288	
Unbilled accounts receivable	105,944	
Employee advances	49,700	
Inventory	162,000	
	-----	-----
Total Current Assets	1,721,075	
Property and equipment, at cost less accumulated depreciation of \$3,191 and \$244, respectively	83,368	
Restricted cash	16,418	
Deposits	51,998	
Prepaid expenses	2,061,737	
Goodwill, net of accumulated amortization of \$6,421 and \$0, respectively	250,523	
Debt issuance costs, net of accumulated amortization of \$72,502 and \$43,522, respectively	51,214	
	-----	-----
Total Assets	\$4,236,333	\$
	=====	=====

See notes to the consolidated financial statements.

Logistics Management Resources, Inc. and Subsidiary
 F.T.A. U.S. Trucking, Inc.
 Consolidated Balance Sheets (Continued)

Liabilities and Stockholders' Equity
 Current Liabilities
 Cash overdraft

\$ 86,276 \$ 29

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Accrued expenses	737,157	260
Accrued interest	3,042,086	1,728
Due to factor	1,018,119	
Due to related party	693,666	317
Convertible debentures	4,405,000	4,405
Net liabilities of discontinued operations	13,209,298	13,422
	-----	-----
Total Current Liabilities	23,191,602	20,164
Long-term debt, net current portion	3,635,959	2,459
	-----	-----
Total Liabilities	26,827,561	22,624
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, no par value; (10,000,000 shares authorized)		
Series A (99,000 shares outstanding)	132	
Series B (2,000 shares outstanding)	2,000,000	2,000
Series C (50,000 shares outstanding)	15,000	15
Series D (950 shares outstanding)	950,000	950
Series E (2,300 shares outstanding)	2,300,000	2,300
Common stock, no par value; 75,000,000 shares authorized, 31,714,467 shares issued and outstanding	--	
Treasury stock	(68,401)	
Subscription receivable	(906,788)	(906)
Additional paid-in capital	15,571,006	12,197
Accumulated (deficit)	(42,452,177)	(38,937)
	-----	-----
Total Stockholders' Equity (Impairment)	(22,591,228)	(22,380)
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 4,236,333	\$ 243
	=====	=====

See notes to the consolidated financial statements.

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Logistics Management Resources, Inc. and Subsidiary
F.T.A. U.S. Trucking, Inc.
Consolidated Statements of Operations

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000 (Restated)	Six End 30
	-----	-----	-----
Continuing Operations:			
Net Revenue	\$ 2,365,232	\$ --	\$ 4,070
Operating Expenses			
Purchased transportation and rentals	2,165,718	--	3,624
Other operating costs	48,308	--	48

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Insurance and claims	43,357	--	44
Depreciation and amortization	17,669	123,646	38
Taxes and licenses	--	4	
Salaries, wages and benefits	238,807	51,452	261
Occupancy costs	372	9,320	17
Administrative expenses	1,623,569	395,888	2,214
	-----	-----	-----
Total Operating Expenses	4,137,800	580,310	6,249
Net Operating Loss before Discontinued Operations	(1,772,568)	(580,310)	(2,178)
Discontinued Operations:			
Loss on disposal of discontinued operations	(28,738)	(5,266,904)	(14)
	-----	-----	-----
Net (Loss) before Other Income and Expense	(1,801,306)	(5,847,214)	(2,192)
Interest income	--	944	
Interest expense	(694,430)	(62,687)	(1,322)
	-----	-----	-----
Net (Loss) before Income Taxes	(2,495,736)	(5,908,957)	(3,515)
Provision for (Benefit from) Income Taxes	--	(22,300)	
	-----	-----	-----
Net (Loss)	\$ (2,495,736)	\$ (5,886,657)	\$ (3,515)
	=====	=====	=====
Earnings (Loss) Per Common Share			
(Loss) from continuing operations	\$ (0.39)	\$ (0.06)	\$ (
(Loss) from discontinued operations	(0.01)	(0.52)	
	-----	-----	-----
Basic and diluted earnings per share	\$ (0.40)	\$ (0.58)	\$ (
	=====	=====	=====
Weighted Average Number of Common Shares Outstanding	6,292,527	10,101,544	6,292
	=====	=====	=====

See notes to the consolidated financial statements.

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Logistics Management Resources, Inc. and Subsidiary
F.T.A. U.S. Trucking, Inc.
Consolidated Statements of Cash Flows

	Six Months
	Ended
	June 30, 2001

Cash Flows From Operating Activities	
Continuing Operations	
Loss before income taxes	\$ (3,500,368)
Adjustments to Reconcile Net Loss to Net Cash Used By	

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Operating Activities		
Depreciation and amortization expense		38,349
Provision for doubtful accounts		14,979
Issuance of common stock for services rendered		3,137,459
Issuance of common stock for purchase of business		180,000
(Increase) in Assets		
Accounts receivable	(1,393,288)	
Unbilled accounts receivable	(105,944)	
Employee advances	(49,700)	
Restricted cash	(16,418)	
Prepaid expenses	(2,061,737)	
Increase in Liabilities		
Cash overdraft	56,588	
Accrued expenses	622,317	
Accrued interest	1,313,355	
Due to factor	1,018,119	
Net Cash Used in Continuing Operations		(746,289)
Discontinued Operations		
Loss (income) before income taxes		(14,469)
Adjustments to Reconcile Net (Loss) to Net Cash Used		
By Operating Activities		
(Increase) in net assets of discontinued operations		--
(Decrease) in net liability of discontinued operations		(213,451)
Net Cash Used in Discontinued Operations		(227,920)
Net Cash Used in Operating Activities		(974,209)
Cash Flows From Investing Activities		
Purchases of equipment		(85,340)
Acquisition of business		(256,944)
Purchase of treasury stock		(118,401)
Sale of treasury stock		50,000
Net Cash Provided By (Used in) Investing Activities		\$ (410,685)

See notes to the consolidated financial statements.

Logistics Management Resources, Inc. and Subsidiary
 F.T.A. U.S. Trucking, Inc.
 Consolidated Statements of Cash Flows (Continued)

Six Months
 Ended
 June 30, 2001

Cash Flows from Financing Activities	
Net proceeds from related parties	\$ 270,675

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Proceeds from sale of common stock and additional paid in capital	(51,998)
Principal payments on long-term debt	--
Issuance of convertible debentures	--
Proceeds from long-term debt financing	1,176,360

Net Cash Provided By Investing Activities	1,395,037

Net Increase in Cash	10,143
Cash at beginning of period	--

Cash at end of period	\$ 10,143
	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Cash paid during the year for:

Interest expense	\$ 8,745
	=====
Income taxes	\$ --
	=====

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

In June, 2000, 9,000,000 shares of common stock were issued for the retirement of 900,000 shares of Series A preferred stock valued at \$630.

During the first quarter of 2000, LMRI acquired the business operations of Checkmate Truck Brokerage, Inc. and Maverick Truck Brokerage, Inc.

Fair value of assets acquired	\$ 3,
Fair value of liabilities assumed	4,
Goodwill recognized	2,
Cash paid	53
Value of common stock issued	1,

During the first quarter of 2001, LMRI acquired the business operations of Trans-Logistics, Inc.

Fair value of assets acquired	\$ 27
Fair value of liabilities assumed	25
Goodwill recognized	25
Cash due to sellers	90
Value of common stock issued	18

During the six months ended June 30, 2001, LMRI issued 11,950,764 shares of common stock for services rendered valued at \$3,137,459, of which \$784,365 was expensed during the period.

See notes to the consolidated financial statements.

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Logistics Management Resources, Inc. and Subsidiary
F.T.A. U.S. Trucking, Inc.
Notes to the Consolidated Financial Statements

Note 1 - General and Summary of Significant Accounting Policies

(A) Nature of Business

On September 8, 1998, U. S. Trucking, Inc., a Nevada corporation (U. S. Trucking - Nevada), was acquired by Northern Dancer Corporation (Northern Dancer), a non-operating public shell, through the exchange of 100% of the issued and outstanding shares of Northern Dancer's common stock for approximately 96% of the outstanding shares of U. S. Trucking - Nevada's common stock. Northern Dancer's legal name was changed to U. S. Trucking, Inc. (U. S. Trucking). The acquisition is considered to be a capital transaction, in substance equivalent to the issuance of stock by U. S. Trucking - Nevada for the net monetary assets of Northern Dancer, accompanied by a recapitalization of U. S. Trucking - Nevada.

U. S. Trucking - Nevada was formed by U. S. Transportation Systems, Inc. (USTS) as a wholly owned subsidiary. As part of the transaction to acquire Gulf Northern, Inc., 25% of the U. S. Trucking - Nevada's common stock was transferred to Gulf Northern's parent (Logistics Management, LLC). The remaining 75% was conveyed to Logistics Management, LLC during 1998.

The Company's corporate headquarters are located in Louisville, Kentucky.

On November 30, 2000, UST Logistics, Inc., Mencor, Inc., Prostar, Inc. and Gulf Northern Transport, Inc., LMRI's four operating subsidiaries, filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court, Middle District of Florida, Jacksonville Division.

Prior to December 31, 2000 the Company terminated its auto liability insurance business.

LMRI's prospective principal business is to provide for the transportation needs of clients through "Total Logistics Management," which includes managing clients' domestic and international trucking, load matching, consolidation and warehousing requirements.

On January 29, 2001, the Company held a Special Stockholders' Meeting to vote on a corporate name change and reverse split of the Company's common stock. The Company's Board of Directors approved the change of the Company's name to Logistics Resources Management, Inc. At the Special Stockholders' Meeting, stockholders approved the name change and reverse split of the shares of the Company's common stock on a 1 for 100 basis. The record date for the reverse split was February 12, 2001. The Company also changed its symbol on the Over The Counter Bulletin Board to "LMRI" to reflect its new name.

Effective January 1, 2001, the Company purchased all of the issued and outstanding common stock of Trans-Logistics, Inc., a Florida corporation. The Company purchased one hundred percent of Trans-Logistics' issued and outstanding common stock at the price of \$80,000, plus, four times Trans-Logistics' gross brokerage commissions

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for the period of October 1, 2001 to December 31, 2001, plus, any accounts receivable (after adjusting for accounts payable) less any payments by the Company of the assumption of liabilities with Atech Commercial Corp. in excess of \$120,000. The consideration shall be paid by the transfer of \$40,000 in cash, 18,000 shares of the Company's common stock (which must be registered for sale on or before June 30, 2001), the transfer of stock of the Company's common stock no later than April 15, July 15 and October 15, 2001 equal to the gross brokerage commission

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Logistics Management Resources, Inc. and Subsidiary
F.T.A. U.S. Trucking, Inc.
Notes to the Consolidated Financial Statements

Note 1 - General and Summary of Significant Accounting Policies (Continued)

(A) for those respective quarters and the balance of the purchase price shall be paid after an audit of Trans-Logistics for the 2001 fiscal year and paid in shares of the Company's common stock.

(B) Basis of Presentation

The accompanying balance sheets and related statement of operations and cash flows for the six months ended June 30, 2001, include the activities of L.M.R.I. and its wholly owned subsidiary Trans-Logistics, Inc.

(C) Revenue Recognition

During 2001, the Company changed its revenue recognition policy to record revenue at the time freight is picked up at the customer's site.

(D) Earnings Per Share

Basic earnings per share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by combining weighted average number of common shares outstanding and potentially dilutive common share equivalents unless the effect of doing so is anti-dilutive. Common equivalent shares have been excluded from the 2000 computation of diluted EPS since their effect is anti-dilutive.

The weighted average number of shares for the period ending June 30, 2001 and 2000 was 6,292,527 and 10,101,544, respectively.

(E) Fair Value of Financial Instruments

The fair values of cash, accounts receivable, accounts payable and other short-term obligations approximate their carrying values because of the short maturity of these financial instruments. The carrying values of the Company's long-term obligations at June 30, 2001 and December 31, 2000 consisting of anticipated liabilities relating to it's discontinued auto insurance business are payable

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over approximately 30 months without interest. Accordingly, the obligation has been subjected to a present value discount applying an interest rate factor of 10% which represents the rate available to the Company. In accordance with Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments," rates available at balance sheet dates to the Company are used to estimate the fair value of existing debt.

(F) Cash and Equivalents

Cash and equivalents represent cash and short-term highly liquid investments with original maturities of six months or less. The Company places its cash and equivalents with high credit quality financial institutions which may exceed federally insured amounts at times.

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Logistics Management Resources, Inc. and Subsidiary
F.T.A. U.S. Trucking, Inc.
Notes to the Consolidated Financial Statements

Note 1 - General and Summary of Significant Accounting Policies (Continued)

(G) Debt Issuance Costs

Debt issuance costs are recorded at cost and are being amortized over the term of the related obligations or their conversion, if sooner, using the effective interest method. Accumulated amortization was \$72,502 at June 30, 2001 and \$43,522 at December 31, 2000.

(H) Income Taxes

The Company utilizes Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those temporary differences that have future tax consequences using the current enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. In some situations, SFAS 109 permits the recognition of expected benefits of utilizing net operating loss and tax credit carry forward. Valuation allowances are established based upon management's estimate, if necessary. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

(I) Use of 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

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and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(J) Reclassifications

Certain reclassifications were made to prior period financial statement presentations to conform with current period presentations.

(K) Inventory

Inventory consists of transportation equipment held for resale.

(L) Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Accelerated methods of depreciation are followed for tax purposes and the straight-line method is used for financial reporting purposes.

(M) Intangible Assets

Intangible assets include goodwill which is amortized on a straight-line basis over ten years. Also included are deferred financing and debt issuance costs which are amortized on a straight-line basis over periods ranging from three to five years.

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Logistics Management Resources, Inc. and Subsidiary
F.T.A. U.S. Trucking, Inc.
Notes to the Consolidated Financial Statements

Note 2 - Equipment

Equipment at cost, less accumulated depreciation, consists of the following:

	June
Office Equipment	\$ 86
Less accumulated depreciation	3
Total	\$ 83

Depreciation expense charged to operations for the six months ended June 30, 2001 and 2000 was \$2,948 and \$39,476, respectively.

Note 3 - Convertible Debentures

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During 2000, the Company issued \$4,650,000 of 10% convertible debentures due May 31, 2002. The Company received proceeds of \$4,502,000, net of \$148,000 of debt issuance costs. The debt issuance costs are being amortized over the life of the debentures and \$28,980 and \$0 was amortized during the six months ended June 30, 2001 and 2000, respectively.

The holders of the debentures are entitled, at their option, to convert at any time, all or any part of the principal amount of the debentures plus accrued interest.

The price per share of Common Stock into which the debentures are convertible is the higher of \$1.50 or the lower of 80% of the average closing bid price of the Common Stock quoted on the OTC Bulletin Board for three trading days preceding the conversion date or \$2.37 per share. In no event will the conversion price be less than \$1.50 per share.

Note 4 - Acquisitions

Effective January 2, 2001, the Company purchased all of the issued and outstanding common stock of Trans-Logistics, Inc., a Florida corporation. The Company purchased one hundred percent of Trans-Logistics' issued and outstanding common stock at the price of \$80,000, plus, four times Trans-Logistics' gross brokerage commissions for the period of October 1, 2001 to December 31, 2001, plus, any accounts receivable (after adjusting for accounts payable less any payments by the Company of the assumption of liabilities with Atech Commercial Corp. in excess of \$120,000. The consideration shall be paid by the transfer of \$40,000 in cash, 180,000 shares of the Company's common stock (which must be registered for sale on or before June 30, 2001), the transfer of stock of the Company's common stock no later than April 15, July 15 and October 15, 2001 equal to the gross brokerage commission for those respective quarters and the balance of the purchase price shall be paid after an audit of trans-Logistics for the 2001 fiscal year and paid in shares of the Company's common stock. Allocation of the purchase price is preliminary and will be finalized upon resolution of the aforementioned contingencies. Pro-forma financial activity for six months ended June 30, 2000 is required since Trans-Logistics, Inc. commenced operations effective April 28, 2000.

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Logistics Management Resources, Inc. and Subsidiary
F.T.A. U.S. Trucking, Inc.
Notes to the Consolidated Financial Statements

Note 4 - Acquisitions (Continued)

An allocation of the purchase price is as follows:

		Trans-Logistics

Assets		
Cash and other Current Assets	\$	3,055
Accounts receivable		268,612
Goodwill		256,945

Total	\$	525,557
		=====

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Liabilities Assumed and Equity	
Liabilities assumed	\$ 258,475
Liability to sellers	90,137
Common stock	180,000

Total	\$ 528,612
	=====

Note 5 - Discontinued Operations

On November 30, 2000, the Company's four operating subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code. The Company is liable as a guarantor on certain indebtedness of its former subsidiaries. The Company is liable for obligations as to which it is a primary or secondary guarantor relating to its former subsidiaries, which have filed voluntary petitions for reorganization, and terminated its auto liability insurance business. Resultant estimated guarantee obligations are comprised of the following:

General Electric Capital Corporation

On November 27, 2000, Gulf Northern Transport, Inc., Prostar, Inc., U.S.T. Logistics, Inc. , as borrowers, and LMRI, as a guarantor, entered into a Restructure Agreement with respect to certain financing arrangements pursuant to a loan and security agreement dated December 22, 1998 between the borrowers and General Electric Capital Corporation. Pursuant thereto, the Company estimates its liability to be \$10,440,408. As of May 15, 2001, the Company was in default as to its obligations under the Restructure Agreement.

Captive Insurance Program

Prior to December 31, 2000, the Company terminated its auto insurance business and has been advised by counsel that its maximum exposure may be \$1,414,492. The Company contemplates satisfying this liability at the rate of \$50,000 per month commencing in July 2001. The present value of this obligation, applying a 10% effective interest rate, amounts to \$1,203,657.

Logistics Management Resources, Inc. and Subsidiary
F.T.A. U.S. Trucking, Inc.
Notes to the Consolidated Financial Statements

Note 5 - Discontinued Operations (Continued)

Equipment Financing Arrangements

The Company is a guarantor as to certain equipment and leases of its former subsidiaries. The Company estimates its gross liability to be \$3,316,915 pursuant to these financing arrangements and the realizable value of the related collateral to be \$2,484,000 resulting in an estimated guarantee obligation of \$832.915.

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Other guaranteed obligations ranging from payroll taxes, delinquent rents and delinquent vendor payables total \$732,318.

Note 6 - Preferred Stock

During 2000, the Company exchanged 900,000 shares of its Preferred Series A shares for 9,000,000 shares of Common Stock. On February 1, 1999, the Company entered into three stock exchange agreements whereby a total of 9,990,000 shares of Common Stock were exchanged for 999,000 of Series A Preferred Stock. The value of the shares was determined to be \$762 and such amount was deducted from additional paid-in capital. Each share of Series A Preferred Stock is entitled to ten votes and will vote together with the holders of the Common Stock. Pursuant to this agreement, each share of Series A Preferred Stock may be exchanged for ten shares of Common Stock as follows: one fifth of the shares upon the Company's reporting revenues of \$31 million or more for any fiscal year or shorter period in a report filed on Form 10-KSB or any appropriate Securities and Exchange Commission filing; an additional one-fifth if revenues are at or above \$41 million; an additional one fifth if revenues are at or above \$51 million; an additional one-fifth if revenues are at or above \$61 million; and the balance if revenues are at or above \$71 million.

Based upon the revenues reported in the accompanying consolidated financial statements, 40% of the Series A Preferred Stock are eligible to be exchanged for Common Stock.

Note 7 - Related Party Transactions

Amounts due to related party amount to \$693,666 as of June 30, 2001 and \$317,820 at December 31, 2000 consist of amounts borrowed by the Company from entities with similar ownership interests. Amounts outstanding bear no interest and repayment is expected on the short term, if cash flows are available.

Note 8 - Going Concern

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in the accompanying financial statements, the Company incurred a net loss of \$(3,515,017) for the six months ended June 30, 2001 and, as of that date, had a working capital deficiency of \$(21,470,527) and a net worth deficiency of \$(22,591,228). Also, as discussed at Note 1, on November 30, 2000, the Company's four operating subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and, as described at Note 6, the Company is liable as a guarantor on certain indebtedness of its former subsidiaries.

The Company's ability to generate sufficient proceeds from prospective operations, debt or equity placements is uncertain. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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Note 8 - Going Concern (Continued)

Management's plans for prospective operations are described at Note 1. Management is continuing its efforts to arrange for the placement of sufficient debt or equity to alleviate the above described conditions.

Note 9 - Commitments and Contingencies

Stock Activity:

During 2000, LMRI issued a total of 7,800,000 shares of common stock to several companies and individuals as collateral in connection with contingent transactions. In 2000, the 7,800,000 shares were issued to a majority stockholder for its guaranty as to the Company's Restructure Agreement with General Electric as discussed in Note 6.

During 2000, 1,500,000 shares of common stock were issued as collateral to a preferred stockholder but not considered issued and outstanding.

Operating Leases:

In February, 2000, the Company leased 4,000 square feet of space in Mt. Pleasant, South Carolina to house its corporate office and brokerage operations. The lease calls for monthly payments of \$6,380 and is for a term of 12 months. Upon the Chapter 11 filing of its former subsidiaries, the corporate offices were moved to Louisville, Kentucky. The South Carolina lease expires in February, 2001.

Employment Agreements:

Commencing September 9, 1998, the Company entered into an employment agreement with its President and Chief Executive Officer, for a term of five years. The agreement provides for an annual salary of \$105,000 with annual increases of not less than 3%, as well as an automobile allowance for business travel.

The above employment agreement is terminable by the Company for certain specified reasons including disability, fraud, felony conviction or substance abuse. There are also certain noncompete covenants to be maintained during the contract period. Breach of such covenants could lead to dismissal.

Indemnity Agreements:

The Company's President, Vice President and another guarantor of the Company's obligations have provided guarantees of certain obligations of the Company and its former subsidiaries. As a result, on January 30, 1997, and as renewed on May 3, 1999, the Company entered into an Indemnity Agreement with these parties, to hold them harmless against any loss or liability related to or arising from the Company and its former subsidiaries.

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Note 9 - Commitments and Contingencies (Continued)

Payroll Obligation:

The Company is contingently liable for \$223,107 relating to its former subsidiaries in bankruptcy. The outstanding obligations arise from insufficient funds that were not provided to a payroll service for the subsidiaries' employees' payroll and expenses paid. The Company is responsible as a guarantor of these obligations if subsidiary assets are not sufficient to pay creditors.

Health Claims:

The Company is contingently liable for \$247,327 of former subsidiaries' employees health insurance claims no longer financed by the subsidiaries. It is uncertain if the claims will be pursued for payment, and as a result, the potential claims have not been accrued within the accompanying financial statements.

Legal Proceedings:

Stock Registration Rights Dispute - In September 2000, an entity filed legal action against the Company alleging a breach of obligation under a stock registration rights agreement. The Company has responded stating it has performed its best efforts to uphold the agreement and has committed no wrongdoing. The stockholder is seeking damages of \$300,000. The Company has provided a \$135,000 reserve in its estimated liabilities although final outcome of this litigation is uncertain and undeterminable at this time.

Southtrust Bank filed suit against the Company and certain affiliates for \$2.8 million. The suit, claims the Company and certain affiliates defaulted on certain guarantees relating to the purchase of 66% of Professional Transportation Group by Logistics Management LLC. the Company contends that it was improperly served and a judgment was granted against the Company and certain affiliates. The Company has filed a Supplement To Motion To Set Aside Entry of Default in this matter and intends to aggressively defend against this action. In addition the Company believes it has counterclaims in this matter.

AllStates World Cargo filed suit against the Company and its chairman for \$678,000. The suit claims the Company and the chairman defaulted on certain business guarantees related to the acquisition of Trans-Logistics as of January 1, 2001. The Company and the chairman have filed an answer in this matter and intend to defend these matters vigorously. The Company and the chairman believe they have significant counterclaims in this matter.

Note 10 - Subsequent Events

Effective July 1, 2001 the Company and Trans-Logistics, Inc. agreed to rescind and cancel the terms of conditions of the acquisition agreement for all of the issued and outstanding common stock of Trans-Logistics, Inc. entered into as of January 1, 2001. In connection thereto, the Company has agreed to reimburse Trans-Logistics, Inc. \$150,000 and/or to deliver 1,000,000 of its common shares.

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The following analysis of the Company's financial condition as of June 30, 2001 and the Company's results of operation for the six month periods ended June 30, 2001 and 2000 should be read in conjunction with the Consolidated Financial Statements, including the footnotes, and it should be understood that this discussion is qualified in its entirety by the foregoing and other, more detailed financial information appearing elsewhere herein. Historical results of operations and the percentage relationships among any amounts included in the Consolidated Statement of Operations, and any trends which may appear to be inferable therefrom, should not be taken as being necessarily indicative of trends of operations or results of operations for any future periods.

These and other statements, which are not historical facts, are based largely on current expectations and assumptions of management and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements. Assumptions and risks related to forward-looking statements, include that we are pursuing a growth strategy that relies in part on the completion of acquisitions of companies in the non-asset based logistics segment of the transportation industry, as well as the completion of acquisitions of companies in the employee leasing industry.

Assumptions relating to forward-looking statements involve judgements with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many which are beyond our control. When used in this Quarterly Report, the words "estimates", "projects", and "expect" and similar expressions are intended to identify forward-looking statements. Although we believe that assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in the forward-looking information will be realized.

Management decisions are subjective in many respects and susceptible to interpretations and periodic revisions based on actual experience and business developments, the impacts of which may cause us to alter our business strategy, which may in turn, affect our results of operations. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as our representation that statements contained in this Quarterly Report speak only as of the date of this Quarterly Report, and we do not have any obligation to publicly update or revise any of these forward-looking statements.

Such statements may include, but are not limited to, projections of revenues, income, or loss, capital expenditures, plans for future operations, financing needs or plans, the impact of inflation and plans relating to the foregoing. Statements in the Company's Form 10-QSB, including Notes to the Consolidated Financial Results of Operations, describe factors, among others, that could contribute to or cause such differences.

DESCRIPTION OF BUSINESS

General:

Logistics Management Resources, Inc. is a holding company engaged in

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the business of acquiring and managing employee leasing and transportation logistics companies. Our principal business is providing for the transportation needs of clients through total logistics management, which includes managing clients' domestic and international transportation, load matching, consolidation and warehousing. We also intend to engage in a series of acquisitions in the field of employee leasing services. These services include supplying temporary workers possessing a wide variety of skills to both large and small businesses, while assuming many of the costs and functions of an employer for a fee. Employee lease services are widely used in the transportation industry and we feel the dual industry approach will provide increased flexibility in the overall services we intend to provide as well as enhancing our revenue stream.

We intend to expand our business through internal growth and acquisitions. The transportation and employee leasing industries are highly fragmented, which provides unique acquisition opportunities. We are primarily interested in profitable, well managed, non-asset based companies that can bring positive growth with profits to the bottom line.

Overview:

Logistics Management Resources, Inc., formerly U.S. Trucking, Inc., was established in January of 1997 by combining under US Trucking-Nevada the operations of Gulf Northern Transport, Inc., a mid-to-long-haul truckload carrier and Mencor, Inc. a third party logistics (brokerage) company.

On November 30, 2000, the Registrants' operating subsidiaries, Gulf Northern Transport, Inc., Prostar, Inc., UST Logistics, Inc. and Mencor, Inc., filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court, Middle District of Florida, Jacksonville Division. As of this date, no plan of reorganization has been filed by the registrant's subsidiaries. However, a trustee has been appointed. On December 1, 2000 we issued a press release in which it was announced: (i) the filing of the Petition, and (ii) the signing of an agreement with its primary lender for repayment of any deficiencies, which may be left after liquidation of the collateral. The agreement provides for payment of the deficiency over three years, including payments based upon a fixed percentage of our ongoing revenue. The accompanying financial statements contain adjustments resulting from the bankruptcies based upon management's best estimates as to the recoverability of assets and obligations for liabilities incurred.

Effective as of January 1, 2001, we purchased all of the issued and outstanding shares of common stock of Trans-Logistics, Inc., a Florida corporation. We purchased one hundred percent of Trans-Logistics issued and outstanding common stock at the price of \$80,000, plus, four times Trans-logistics' gross brokerage commissions for the period of October 1, 2001 to December 31, 2001, plus, any accounts receivable (after adjusting for accounts payable) less any payments by us for the assumption of liabilities with Atech Commercial Corp. in excess of \$120,000. The consideration shall be paid by the transfer of \$40,000 in cash, 18,000 shares of our common stock (which must be registered for sale on or before June 30, 2001), the transfer of stock no later than April 15, July 15 and October 15, 2001 equal to the gross brokerage commission for those respective quarters and the balance of the purchase price shall be paid after an audit of Trans-Logistics for the 2001 fiscal year and paid in shares of our common stock. Trans-logistics is a wholly owned subsidiary of Logistics Management Resources Inc. with annual revenues expected to exceed \$10 million.

The Company and Trans-Logistics agreed to rescind and cancel the terms and conditions of the acquisition agreement for all of the issued and outstanding common stock of Trans-Logistics, Inc., which the Company entered into as of January 1, 2001. In connection with this rescission the Company has agreed to reimburse Trans-Logistics, Inc. \$150,000 in cash or to deliver 1,000,000 shares

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of its common shares.

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The Company signed a letter of intent on April, 2001 to acquire America's PEO, Inc., a premier employee leasing company, headquartered in Cherry Hill, New Jersey. The intended acquisition is expected to close during the third quarter of 2001. The purchase will include America's affiliates Omni Financial Services, Inc. National Labor Force, Inc., Western America Labor Force, Inc., National Labor Force I, Inc., American Labor Force, Inc. and American Labor Services, Inc. Projected annual sales of the combined entities is expected to exceed \$170 million and add more than 157 clients to the companies client base.

We incurred an operating loss in the last fiscal year and the loss was material. The parent company incurred losses in the most recent quarter, due mostly to interest and accrued penalties associated with debt and the cost of issuing stock to cover certain consulting expenses related to our restructuring efforts. Our wholly-owned subsidiary, Trans-logistics reported second quarter revenues of \$2,365,231 million with a net loss of (\$348,074).The company is re-thinking its plans to stay in the transportation industry and is focusing all of its resources at completing its employee leasing acquisition and striving to be a predominant player in that industry segment.

Our losses are expected to continue at the parent level until such time as we are able to negotiate improved terms with debt instrument holders regards the interest and accrued penalties on outstanding notes. In addition to raising capital, the restructuring of existing debt will make it possible to cover the expenses associated in restructuring a company.

We continue to be subject to the risks normally associated with any business activity, including unforeseeable expenses, delays, and complications. Accordingly, there is no guarantee that we can or will report operating profits in the future.

We are in negotiations with several prospective acquisition candidates at this time.

Operating Strategy

Our business strategy is to establish the company as an industry leader in the employee leasing industry while remaining in the non-asset based transportation industry on a minor scale.

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RESULTS OF OPERATIONS:

Six months ended June 30, 2000 compared to June 30, 2001

Continuing Operations:

Operating Revenues

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Total operating revenues increased from zero for the six months ended June 30, 2000 to \$4.1 million for the six months ended June 30, 2001. The reasons for this increase was the disposal of discontinued operations and the filing for protection under Chapter 11 of the U.S. Bankruptcy code for U.S. Trucking, Inc's operating subsidiaries Gulf Northern Transport, Inc., Prostar, Inc. and U.S.T. Logistics, Inc. on November 30, 2000 and the termination of the Company's captive insurance program. The current period revenue was generated from the operations of Trans-Logistics, Inc.

Purchased Transportation and Rentals

Purchased transportation and rentals increased from zero for the six months ended June 30, 2000 to \$3.6 million for the six months ended June 30, 2001. The reason for the increase was the disposal of discontinued operations and the filing for bankruptcy of the three operating subsidiaries mentioned in the previous paragraph. In addition, all purchased transportation costs generated during the period came from Trans-logistics, Inc.

Salaries, Wages and Benefits

Salaries, wages and benefits increased from \$101 thousand for the six months ended June 30, 2000 to \$261 thousand for the six months ended June 30, 2001. The reason for the increase was the result of the company rebuilding its management team.

Depreciation and Amortization

Depreciation and amortization decreased from \$197 thousand for the six months ended June 30, 2000 to \$38 thousand for the six months ended June 30, 2001. The reason for this decrease was the write off of over-valued goodwill and fixed assets. The current period expense is primarily derived from the amortization of goodwill created from the January 1, 2001 acquisition of Trans-Logistics, Inc.

General and Administrative

General and administrative expenses increased from \$673 thousand for the six months ended June 30, 2000 to \$2.2 million for the six months ended June 30, 2001. The main reason for this was the increase in consulting costs related to the restructuring of the company.

Discontinued Operations

Income from discontinued operations decreased from \$4.8 million for the six months ended June 30, 2000 to \$14 thousand for the six months ended June 30, 2001. All operating subsidiaries filed bankruptcy on November 30, 2000 and the disposal of discontinued operations was recorded accordingly. All financial statements for the year 1999 and 2000 have been restated. Thus the reason for the decrease in income from discontinued operations is the fact that all operations that were active during the first quarter of 2000 are included in the discontinued operations caption.

Interest

Interest expense increased from \$111 thousand for the six months ended June 30, 2000 to \$1.3 million for the six months ended June 30, 2001. The

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primary reason for the increase was accrued late registration filing penalties related to convertible debentures and preferred stock.

Net income decreased from a loss of \$5.8 million for the six months ended June 30, 2000 to a net loss of \$3.5 million for the six months ended June 30, 2001. The primary reason for the decrease in net operating loss was that the company is moving forward on its restructuring efforts, and the operating revenues are having a positive impact.

Liquidity and Capital Resources

Our working capital position has decreased from a deficit of (\$20,002,465) to a deficit of (\$21,470,257). The reason for the negative position was primarily caused by the discontinued operations of all four operating subsidiaries during the fourth quarter of 2000. In addition, the discontinuance of the captive insurance program during November 2000 also contributed. In regards to the first six months of 2001, additional accruals for accrued interest and registration penalties contributed to the decrease from December 31, 2000 to June 30, 2001.

In addition, there is a liability in the amount of \$11,273,323 shown on the balance sheet which represents the company's estimated liability to the primary lender of the four bankrupt operating subsidiaries. The shortfall could be more or less than the \$11,273,323 estimate depending on the success of the bankruptcy trustee handling the collection of subsidiary assets.

Our net worth has decreased from a negative (\$22,380,894) as of December 31, 2000 to a negative (\$22,591,228) as of June 30, 2001. The reason was losses generated primarily from excessive administrative and interest costs.

The lack of liquidity suggests that we will have to raise capital in order to remain a going concern. There can be no assurance that the company will be able to obtain the capital necessary to continue operations.

PART II

Other Information

LEGAL PROCEEDINGS

CIT Group/Equipment Financing, Inc. filed suit against us and certain other parties in the Superior Court of NJ, Law Division Union County, docket No. UNN-L-3556-00 on July 7, 2000 for the return of six tractors formerly used in the business of American Intermodal Services, Inc., some of which Gulf Northern Transport took over in the spring of 2000. We denied ever receiving the tractors. A default judgment was granted in November of 2001 against all defendants in the amount of \$384,599.89. We believe that certain of these tractors have since been recovered. We believe the court in the action had no jurisdiction over LMRI and that the judgment is therefore invalid.

Emergent Capital, L.P. filed suit against us in U.S. District Court, Southern District of New York on September 20, 2000. The suit claimed that Emergent Capital was owed \$300,000 in penalties for the failure to register certain shares for resale, which Emergent purchased in September of 1999. We dispute that the agreement reached between the parties provides for registration

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penalties. The suit is still in the discovery stage.

GE Capital Corporation, the Company, its subsidiaries and certain affiliates entered into a Restructure Agreement on November 28, 2000. The agreement between our company and G.E. Capital Corporation relates to the balance of our obligations to GECC in connection with its accounts receivable line of credit and with GE Capital Commercial Equipment Funding in connection with an equipment loan. The respective loan balances have been consolidated into a single Term Note with an estimated principal balance of \$11,273,324 as of March 31, 2001. This estimated balance is expected to be reduced by the collection of accounts receivable, the possible sale of subsidiary accounts receivable and the sale of equipment held as collateral on the equipment loan portion. The loan is to be repaid over a three-year term with a five-year amortization schedule and a balloon payment of the balance on December 1, 2003. The note bears interest at the 30-day dealer placed commercial paper rate (as published in the Wall Street Journal), plus 4.5%. Interest for the first year will be accrued and applied to the principal balance.

Under the agreement, we are required to pay GECC 1.5% of the gross revenues from our trucking business segment and 5% of the gross revenues from its non-trucking segment to be applied toward payment of the note, which amounts will be applied to the amortization payments. Additionally, 35% of the net income before taxes from our businesses must be paid on a quarterly basis in repayment of the note, along with certain payment in the event of a profitable sale of a Company owned business. The Note is secured by our assets, various affiliate assets and certain personal guarantees.

Southtrust Bank, filed suit against the company and certain affiliates for \$2.8 million. The suit, case number CV-01-AR-1068-S claims the company and certain affiliates defaulted on certain guarantees relating to the purchase of 56% of Professional Transportation Group by Logistics Management LLC. The company was improperly served and a judgement was granted against the company and certain affiliates. The company has filed a Supplement To Motion to Set Aside Entry of Default in this matter and intends to aggressively defend against this action. In addition the company believes it has counterclaims in this matter.

AllStates World Cargo, filed suit against the company and its chairman for \$678 thousand. The suit (Docket)OCN-1822-01) claims the company and the chairman defaulted on certain business guarantees related to the acquisition of Trans-Logisitcs as of Jan. 1, 2001. The company and the chairman have filed an answer in this matter and intend to defend these matters vigorously. The company and the chairman believe they have significant counterclaims in this matter.

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Defaults Upon Senior Securities

As of June 30, 2001 we were in default with two senior debt holders in the amount of \$2,002,915 which has been accrued on our balance sheets. The reason for the defaults is that we have been unable to satisfy the payment of delinquent interest and late penalty fees with regard to these matters. We intend to renegotiate the terms of these agreements to more favorable terms for the senior debt holders, the company and our shareholders.

Submission of Matters to a Vote of Security Holders

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A special meeting of shareholders was held on February 12, 2001. At the meeting 16,908,150 shares, representing 53% of the shares entitled to vote, were present at the meeting in person or by proxy. Votes were taken on three matters. They included changing the name of the company to Logistics Management Resources, Inc., effecting a 1 for 100 reverse stock split and amending the terms of the blank check preferred stock to allow amendments to the terms of outstanding shares of preferred stock without the approval of the holders of common stock, provided the amendment effected a change which the Board would have had authority to include in the original terms of the preferred so amended. All three matters were unanimously approved by the shareholders.

Insurance

We are committed to securing appropriate insurance coverage at cost effective rates. Since discontinuing our captive auto liability insurance program we have through our wholly owned subsidiary, Trans-logistics, Inc., retained insurance coverage that we believe is adequate to cover our liabilities and risks. The coverage includes auto liability coverage up to \$1 million for each claim, \$200 thousand for each claim for cargo damage or loss and general liability up to \$1 million for each occurrence. Insurers affording the coverage's are, General Security Insurance Co., Lexington Insurance Co., and St. Paul Surplus Lines Co.

Other Information

NONE

Exhibits and Reports

A NONE

B Current Report on Form 8-K reporting on Item III(a) Special Meeting of Shareholders approving the Company's name change and reverse split of common stock.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOGISTICS MANAGEMENT RESOURCES, INC.

Registrant

August 20, 2001

By /s/ Danny L. Pixler

Danny L. Pixler-Chairman & Chief Executive

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