LOGISTICS MANAGEMENT RESOURCES INC
Form 10QSB
November 14, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISION

WASHINGTON, D.C. 20549

FOR 10-QSB

ANNUAL REPORT PURSUANT TO SECTION13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Nine Months Ended September 30, 2001

Commission File Number: 33-9640-LA

Logistics Management Resources, Inc.

(Exact Name of Issuer as Specified in it Charter)

COLORADO	68-0133692
(State or Other Jurisdiction incorporation or organization)	(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 November 12, 2001 with 15,100,104 restricted with an estimated float of 20,055,909.

U.S. TRUCKING, INC.
FORM 10-QSB

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To the Board of Directors and Stockholders of
Logistics Management Resources, Inc.

We have reviewed the accompanying balance sheet of Logistics Management Resources, Inc. as of September 30, 2001 and the related statements of operations for the nine months then ended, and the cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The September 30, 2000 financial statements of Logistics Management Resources, Inc., formerly U.S. Trucking, Inc., were reviewed by other accountants whose report dated December 21, 2000 stated that they were not aware of any material modifications that should be made to those statements in order for them to be in conformity with generally accepted accounting principles.

/s/ Rosenberg Rich Baker Berman & Company

Bridgewater, New Jersey
November 7, 2001

Logistics Management Resources, Inc.

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

Financial Statements

September 30, 2001

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Logistics Management Resources, Inc.

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

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September 30, 2001

Logistics Management Resources, Inc.

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

Balance Sheets

	Septe
Assets	
Current Assets	
Inventory	$
Total Current Assets	
Property and equipment, at cost less accumulated depreciation of $1,622 and $244, respectively	
Prepaid expenses	
Debt issuance costs, net of accumulated amortization of $86,992 and $43,522, respectively	
Total Assets	$

Liabilities and Stockholders' Equity	
Current Liabilities	
Cash overdraft	$
Accrued expenses	
Accrued interest	
Due to related party	
Convertible debentures	
Loans payable	
Net liabilities of discontinued operations	
Total Liabilities	
Commitments and contingencies	
Stockholders' Equity	
Preferred stock, no par value; (10,000,000 shares authorized)	
Series A (99,000 shares outstanding)	
Series B (2,000 shares outstanding)	
Series C (50,000 shares outstanding)	
Series D (950 shares outstanding)	
Series E (2,300 shares outstanding)	
Common stock, no par value; 75,000,000 shares authorized, 20,055,909 shares issued and outstanding	
Additional paid-in capital	
Treasury stock	
Subscription receivable	
Accumulated (deficit)	(
Total Stockholders' Equity (Impairment)	(
Total Liabilities and Stockholders' Equity	$

See notes to the financial statements.

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

	Three Months Ended	Three Months Ended September	Ni

	September 30, 2001	30, 2000 (Restated)	S
Continuing Operations:			
Net Revenue	$ 160,076	$ -	$
Cost of Equipment Sold	162,000	-	
Gross Profit	(1,924)	-	
Operating Expenses			
Depreciation and amortization	14,909	667,662	
Taxes and licenses	7,386	2,096	
Salaries, wages and benefits	17,280	53,403	
Occupancy costs	-	8,508	
Administrative expenses	427,647	426,599	
Total Operating Expenses	467,222	1,158,268	
Net Operating Loss before Discontinued Operations	(469,146)	(1,158,268)	
Discontinued Operations:			
Loss on disposal of discontinued operations	(94,288)	(20,000,243)	
Net (Loss) before Other Income and Expense	(563,434)	(21,158,511)	
Interest income	-	133,188	
Interest expense	(210,699)	(87,839)	
Net (Loss) before Income Taxes	(774,133)	(21,113,162)	
Provision for (Benefit from) Income Taxes	-	-	
Net (Loss)	$ (774,133)	$ (21,113,162)	$
Earnings (Loss) Per Common Share			
(Loss) from continuing operations	$ (0.04)	$ (0.06)	$
(Loss) from discontinued operations	(0.01)	(1.10)	
Basic and diluted earnings per share	$ (0.05)	$ (1.16)	$
Weighted Average Number of Common Shares Outstanding	15,279,795	18,229,461	

See notes to the financial statements.

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Logistics Management Resources, Inc.

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

Statements of Cash Flows

	S
	3
Cash Flows From Operating Activities	
Continuing Operations	
Loss before income taxes	$
Adjustments to Reconcile Net (Loss) to Net Cash Used By Operating Activities	
Depreciation and amortization expense	
Issuance of common stock for services rendered	
Issuance of common stock for purchase of business	
(Increase) decrease in Assets	
Inventory	
Prepaid expenses	
Increase (decrease) in Liabilities	
Cash overdraft	
Accrued expenses	
Accrued interest	
Net Cash Used in Continuing Operations	
Discontinued Operations	
Loss before income taxes	
Adjustments to Reconcile Net (Loss) to Net Cash Used By Operating Activities	
Decrease in net assets of discontinued operations	
(Decrease) in net liability of discontinued operations	
Net Cash Used in Discontinued Operations	
Net Cash Used in Operating Activities	
Cash Flows From Investing Activities	
Purchases of equipment	
Net Cash (Used in) Investing Activities	$

See notes to the financial statements.

Logistics Management Resources, Inc.

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

Statement of Cash Flows (Continued)

	Ni S 3
Cash Flows from Financing Activities	
Net proceeds from related parties	$
Purchase of treasury stock	
Sale of treasury stock	
Proceeds from loans payable	
Principal payments on long-term debt	
Issuance of convertible debentures	
Proceeds from long-term debt financing	
Net Cash Provided By Investing Activities	
Net Increase (Decrease) in Cash	
Cash at beginning of period	
Cash at end of period	$

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest expense	$
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	$	3,531,347
Fair value of liabilities assumed		4,399,649
Goodwill recognized		2,606,125
Cash paid		534,698
Value of common stock issued		1,026,782

See notes to the financial statements.

Logistics Management Resources, Inc.

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

Statement of Cash Flows (Continued)

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

Fair value of assets acquired	$	271,667
Fair value of liabilities assumed		258,475
Goodwill recognized		256,944
Cash due to sellers		90,137
Value of common stock issued		180,000

During the nine months ended September 30, 2001, the Company issued 15,488,764 shares of common stock for services rendered valued at $3,310,469, of which $2,043,745 was expensed during the period.

See notes to the financial statements.

Logistics Management Resources, Inc.

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

Notes to the 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. During the nine months ended September 30, 2001, the subsidiaries converted their petition from reorganization under Chapter 11 to liquidation under Chapter 7 of the Bankruptcy Code.

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 100 for 1 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 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. On August 10, 2001 the Company and Trans-Logistics, Inc. agreed to rescind and cancel the terms and conditions of the acquisition agreement. Under the terms of the rescission agreement, the Company agreed to reimburse Trans-Logistics, Inc. 1,500,000 shares of the Company's common stock. The rescission agreement was effective as of July 1, 2001.

Logistics Management Resources, Inc.

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

Notes to the Financial Statements

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

(B) 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.

(C) 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.

(D) Fair Value of Financial Instruments

The fair values of accounts payable and other short-term obligations approximate their carrying values because of the short maturity of these financial instruments.

(E) Securities Issued for Services

The Company accounts for common stock issued for services by reference to the fair market value of Company's common stock on the date of issuance less a discount for volatility and marketability. The issuances are accounted for as a prepaid expense and amortized over four quarters commencing with the quarter in which they are issued.

(F) 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 $86,992 at September 30, 2001 and $43,522 at December 31, 2000.

(G) 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.

Logistics Management Resources, Inc.

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

Notes to the Financial Statements

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

(H) 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 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.

(I) Reclassifications

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

(J) Inventory

Inventory consists of transportation equipment held for resale.

(K) 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.

Note 2 - Equipment

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

	September 30, 2001	December 31, 2000
Office Equipment	$ 8,859	$ 1,219
Less accumulated depreciation	1,622	244
Total	$ 7,237	$ 975

Depreciation expense charged to operations for the nine months ended September 30, 2001 and 2000 was $1,378 and $244, respectively.

Note 3 - Convertible Debentures

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. $43,470 and $21,761 was amortized during the nine months ended September 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.

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Logistics Management Resources, Inc.

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

Notes to the Financial Statements

Note 3 - Convertible Debentures, Continued

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. On August 10, 2001 the Company and Trans-Logistics, Inc. agreed to rescind and cancel the terms of conditions of the acquisition agreement. Under the terms of the rescission agreement, the Company agreed to reimburse trans-Logistics, Inc. 1,500,000 shares of the Company's common stock. The rescission agreement was effective as of July 1, 2001.

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. October 1, 2001, General Electric Capital Corporation filed suit against the Company.

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 January 2002. The present value of this obligation, applying a 10% effective interest rate, amounts to $1,203,657.

Equipment Financing Arrangements

The Company is a guarantor as to certain equipment notes 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.

Other guaranteed obligations ranging from payroll taxes, delinquent rents and delinquent vendor payables total $790,988.

Logistics Management Resources, Inc.

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

Notes to the Financial Statements

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 he 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.

Note 7 - Related Party Transactions

Amounts due to related party of $693,666 as of September 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 as 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 $(4,180,213) for the nine months ended September 30, 2001 and, as of that date, had a working capital deficiency of $(24,558,662) and a net worth deficiency of $(23,247,977). Also, as discussed at Note 1, the Company's four operating subsidiaries filed voluntary petitions for liquidation under Chapter 7 of the Bankruptcy Code and, as described at Note 5, the Company is liable as a guarantor on certain indebtedness of it's 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.

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 5.

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

Note 9 - Commitments and Contingencies, Continued

During the nine months ended September 30, 2001, the Company issued 19,738,764 shares of common stock. Of such shares 14,388,764 were issued for future advisory and consulting services, 2,500,000 shares were issued as collateral for a line of credit and 2,850,000 shares were issued pursuant to the rescission agreement with Translogistics, Inc.

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 expired 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.

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.

Logistics Management Resources, Inc.

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

Notes to the Financial Statements

Note 9 - Commitments and Contingencies, Continued

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. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the Company's financial condition as of September 30, 2001 and the Company's results of operation for the nine month periods ended September 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 judgments 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 that currently has no operating entities or revenues. The company is currently restructuring and intends to expand its business through acquisition and internal growth.

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 of its common shares.

The Company signed a letter of intent on April, 2001 to acquire America's PEO, Inc. ("APEO"), a premier employee leasing company, headquartered in Cherry Hill, New Jersey. Effective November 1, 2001, the Company and America's PEO Holdings, Inc., APEO's parent and successor in interest, terminated the letter of intent and obligations thereunder.

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 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.

RESULTS OF OPERATIONS:

Nine months ended September 30, 2000 compared to September 30, 2001

Continuing Operations:

Operating Revenues

Total operating revenues increased from zero for the nine months ended September 30, 2000 to $106,076 for the nine months ended September 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.

Salaries, Wages and Benefits

Salaries, wages and benefits decreased from $101,442 for the nine months ended September 30, 2000 to $30,074 for the nine months ended September 30, 2001. The reason for the decrease was the recision and discontinued operations of Trans-Logistics, Inc.

Depreciation and Amortization

Depreciation and amortization decreased from $865,042 for the nine months ended September 30, 2000 to $44,848 for the nine months ended September 30, 2001. The reason for this decrease was the write off of over-valued goodwill and fixed assets as well as a lack of assets the Company is able to depreciate and amortize.

General and Administrative

General and administrative expenses increased from $1,099,353 for the nine months ended September 30, 2000 to $2,559,061 for the nine months ended September 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 a loss of ($24,820,598) for the nine months ended September 30, 2000 to a loss of ($108,937) for the nine

months September 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 $199,380 for the nine months ended September 30, 2000 to $1,532,720 for the nine months ended September 30, 2001. The 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 ($26,962,358) for the nine months ended September 30, 2000 to a net loss of ($4,125,226) for the nine months ended September 30, 2001. The primary reason for the decrease in net operating loss was that the company has limited its expenses in its restructuring efforts and rescinded its acquisition of Trans-Logistics, Inc., which had reported losses for the second quarter.

Liquidity and Capital Resources

Our stockholders' equity impairment has increased from ($22,380,894) as of December 31, 2000 to ($23,247,977) for the nine months ending September 30, 2001. Total liabilities and stockholders' equity has increased from $243,170 for the period ending December 31, 2000 to $1,310,685 for the nine months ended September 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.

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 penalties. The suit is still in the discovery stage.

GE Capital Corporation commenced an action against the company on October 1, 2001 allegedly as a result of the company's obligations under a Restructure Agreement. 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 agressively 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.

Defaults Upon Senior Securities

As of September 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

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.

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.

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

November 14, 2001 By /s/ Danny L. Pixler

Danny L. Pixler-Chairman & Chief Executive