

Edgar Filing: TRANSPORTATION LOGISTICS INTL INC - Form 10QSB

TRANSPORTATION LOGISTICS INTL INC  
Form 10QSB  
May 21, 2003

U. S. Securities and Exchange Commission  
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2003

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-25319

TRANSPORTATION LOGISTICS INT'L, INC.

-----  
(Name of Small Business Issuer in its Charter)

Colorado

84-1191355

-----  
(State or Other Jurisdiction of  
incorporation or organization)

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

136 Freeway Drive East, East Orange, NJ 07018

-----  
(Address of Principal Executive Offices)

Issuer's Telephone Number: (973) 266-7020

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Sections 13 or 15(d) of the Securities Exchange Act  
of 1934 during the preceding 12 months (or for such shorter period that  
the Registrant was required to file such reports), and (2) has been subject  
to such filing requirements for the past 90 days.

Yes

No

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares  
outstanding of each of the Registrant's classes of common stock, as of the  
latest practicable date:

May 20, 2003

Common Voting Stock: 41,548,338

Transitional Small Business Disclosure Format (check one): Yes  No

PART 1 - FINANCIAL INFORMATION

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Transportation Logistics Int'l Inc. and Subsidiaries  
 Consolidated Condensed Interim Balance Sheet  
 March 31, 2003

| Assets  |              |
|---|--------------|
| Current Assets  |              |
| Cash and equivalents  | \$ -         |
| Accounts receivable, net of allowance<br>for doubtful accounts of \$20,000  | 1,414,911    |
| Prepaid expenses  | 83,804       |
|   | -----        |
| Total Current Assets  | 1,498,715    |
|   | -----        |
| Property and equipment, at cost, less<br>accumulated depreciation   | 5,108        |
| Other Assets  |              |
| Deposits  | 25,000       |
|   | -----        |
| Total Other Assets  | 25,000       |
|   | -----        |
| Total Assets  | 1,528,823    |
|   | =====        |
| Liabilities and Stockholders' Equity  |              |
| Current Liabilities   |              |
| Accounts payable and accrued expenses   | 261,280      |
| Convertible debenture   | 200,000      |
| Notes payable to bank   | 907,667      |
| Current maturities of long term debt  | 125,000      |
| Net liabilities of discontinued operations  | 150,259      |
|   | -----        |
| Total Current Liabilities   | 1,644,206    |
| Long-term debt, net of current maturities   | 112,583      |
| Loan payable  | 871,825      |
|   | -----        |
| Total Liabilities   | 2,628,614    |
| Stockholders' Equity  |              |
| Common stock, no par value; 50,000,000<br>shares authorized, 40,631,990 shares<br>issued and 40,396,338 outstanding | 3,659,492    |
| Additional paid-in capital - stock options  | 36,748       |
| Retained earnings   | (3,239,769)  |
| Less: treasury stock, 235,652 shares at cost  | (522,537)    |
| Consulting services to be provided  | (1,033,725)  |
|   | -----        |
| Total Stockholders' Equity  | (1,099,791)  |
|   | -----        |
| Total Liabilities and Stockholders' Equity  | \$ 1,528,823 |
|   | =====        |

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Transportation Logistics Int'l Inc. and Subsidiaries  
Consolidated Condensed Interim Statements of Operations

|  | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2003                            | 2002       |
|  | -----                           | -----      |
|  |                                 | Restated   |
| Operating Revenues   | \$ 1,693,203                    | \$ -       |
| Direct Operating Expenses  | 1,455,720                       | -          |
| Gross Profit   | 237,483                         | -          |
| Operating Expenses   |                                 |            |
| Selling, general and administrative                                    | 179,683                         | -          |
| Depreciation and amortization  | 329                             | -          |
| Stock issued for consulting services                                   | 61,775                          | 24,920     |
| Total Operating Expenses   | 241,787                         | 24,920     |
| Operating Income (Loss)  | (4,304)                         | (24,920)   |
| Other Income (Expense)   |                                 |            |
| Lawsuit settlements  | (113,469)                       | -          |
| Interest expense   | (20,048)                        | -          |
| Total Other Income (Expense)   | (133,517)                       | -          |
| Income (Loss) Before Income Taxes                                      | (137,821)                       | (24,920)   |
| Provision for Income Taxes   | -                               | -          |
| Income (Loss) Before Discontinued Operations                           | (137,821)                       | (24,920)   |
| Discontinued Operations  | -                               | 83,301     |
| Gain from discontinued operations of<br>subsidiary (net of tax of \$0) | -                               | -          |
| Net Income (Loss)  | \$ (137,821)                    | \$ 58,381  |
| Earnings Per Share   |                                 |            |
| Income from continuing operations                                      | \$ 0.00                         | \$ 0.00    |
| Discontinued operations  | 0.00                            | 0.00       |
| Basic and diluted earnings per share                                   | \$ 0.00                         | \$ 0.00    |
| Weighted Average Number of Common Shares<br>Outstanding                |                                 |            |
| Basic  | 40,396,338                      | 25,412,881 |

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Diluted

40,396,338 25,412,881

Transportation Logistics Int'l Inc. and Subsidiaries  
Consolidated Condensed Interim Statements of Cash Flows

|   | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2003                            | 2002      |
|   |                                 | Restated  |
| Cash Provided by (Used in) Operating Activities     |                                 |           |
| Continued   | \$ (229,507)                    | \$ -      |
| Discontinued  | -                               | 106,675   |
|   | -----                           | -----     |
| Net Cash Provided by (Used in) Operating Activities | (229,507)                       | 106,675   |
|   | -----                           | -----     |
| Cash Flows From Financing Activities                |                                 |           |
| Loan payable, net                                   | 110,177                         | (130,342) |
| Proceeds from long-term debt                        | 116,750                         | -         |
|   | -----                           | -----     |
| Net Cash Provided by (Used in) Financing Activities | 226,927                         | (130,342) |
|   | -----                           | -----     |
| Net (Decrease) in Cash and Equivalents              | (2,757)                         | (23,667)  |
| Cash and Equivalents at Beginning of Period         | 2,757                           | 23,667    |
|   | -----                           | -----     |
| Cash and Equivalents at End of Period               | \$ -                            | \$ -      |
|   | =====                           | =====     |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION   |                                 |           |
| Cash paid during the year for:                      |                                 |           |
| Interest  | \$ 20,048                       | \$ 11,985 |
| Income taxes  | \$ -                            | \$ -      |

Transportation Logistics Int'l Inc. and Subsidiaries  
Notes to the Consolidated Condensed Interim Financial Statements

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### BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003. The unaudited condensed financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2002.

### RESTATEMENT OF 2002 STATEMENT OF OPERATIONS

During 2002 the Company discontinued all of the operations which had comprised its business at the beginning of 2002. The Statement of Operations for the first quarter of 2002 has been restated to reflect that change.

### SHORT-TERM LOAN

During the first quarter of 2003 the Company borrowed \$100,000 from a private lender. The debt bears interest at 8% per annum, and is due on June 25, 2003. The principal amount of the loan is included in "Current maturities of long term debt" on the March 31, 2003 balance sheet.

### ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS

#### Forward-looking Statements: No Assurances Intended

This Report contains certain forward-looking statements regarding Transportation Logistics, its business and financial prospects. These statements represent Management's present intentions and its present belief regarding the Company's future. Nevertheless, there are numerous risks and uncertainties that could cause our actual results to differ from the results suggested in this Report. Among the more significant risks are:

1. the fact that Transportation Logistics requires additional capital to sustain its operations through the next year;
2. the fact that Transportation Logistics' growth will be limited by its ability to obtain additional capital; and
3. the fact that the industry in which Transportation Logistics operates is dominated by large logistics companies, against whom Transportation Logistics must compete.

Because these and other risks may cause the Company's actual results to differ from those anticipated by Management, the reader should not place undue reliance on any forward-looking statements that appear in this Report. Readers should also take note that Transportation Logistics will not necessarily make any public announcement of changes affecting these forward-looking statements, which should be considered accurate on this date only.

#### Results of Operations

During 2002, the Company discontinued all of the businesses in which it had been engaged at the beginning of the year:

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- We sold Transportation Logistics (U.K.) to the individuals from whom we had originally acquired it. They gave us a promissory note for \$35,000, 940,867 shares of Transportation Logistics common stock, and a promise to pay us 50% of any profits they realize from operating a global network.
- We surrendered our interest in HumanaForce Logistics LLC, which had provided personnel services to the transportation industry.
- We ceased the operations of Pupil Transportation, Inc. after that subsidiary lost its principal contract to a larger competitor.
- We terminated the operations of our financial services division, as we lacked the capital needed to fund its ongoing operations.

Because these businesses have been discontinued, we have restated our financial results for the first quarter of 2002. As restated, our statement of operations for the three months ended March 31, 2002 shows no revenue and a loss attributable to the discontinued operations.

In May 2002 we acquired Xcalibur Xpress, Inc., which is now our only operating business. In the three months ended March 31, 2003 Xcalibur Xpress contributed \$1,693,203 in revenue. We realized a gross margin of 14% from that revenue, which was less than the 35% gross margin that we realized from the operations of Xcalibur Xpress in 2002. The reduction in gross margin reflects transitional expenses; over the long-term we expect the gross margin to range between 14% and 22%.

The gross profit from Xcalibur Xpress was not sufficient to offset all of the expenses of operating our public company for the quarter. As a result we reported an operating loss of \$4,304. However, that loss reflected the effect of a non-cash expense of \$61,775 that we incurred as a result of issuance of stock to consultants during 2002. But for that expense, we would have reported an operating profit of \$57,471.

We expect the operations of Xcalibur Xpress to grow, which will increase their efficiency. Because of the efficiency of the operations of Xcalibur Xpress, we believe that it can be the foundation for rebuilding Transportation Logistics. Our success in that regard will depend, however, on our ability to raise capital.

### Liquidity and Capital Resources

The primary roadblock facing our plans for growth is our need for capital. At the present time, our only source of capital is a \$1.5 million secured line of credit, on which we can draw funds equal to 85% of the amount of our eligible accounts receivable. We are actively seeking additional capital resources, through sale of equity or debt, and hope to increase our available resources. With additional capital resources, we expect to be able to expand the operations of Xcalibur Xpress and to initiate complementary businesses that will permit us to achieve the economies of scale that will facilitate profitability and growth.

Our working capital deficit at March 31, 2003 totaled \$ 145,491. The deficit increased by \$120,935 from the deficit at December 31, 2002, as we borrowed \$100,000 from a private lender on a short-term basis. Those funds,

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which we received in March, have enabled us to expand our operations, which should be reflected in our financial results for the remainder of the year.

Although our working capital deficit is not great, our cash flow remains insufficient to satisfy the requirements of our existing liabilities. For this reason we require additional capital resources. Management, therefore, is actively engaged in exploring opportunities for equity or debt financing, to obtain the funds needed to sustain our operations through the coming year.

ITEM 3. CONTROLS AND PROCEDURES

Michael Margolies, our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the Company's disclosure controls and procedures within 90 days prior to the filing date of this report. Based on his evaluation, he concluded that the controls and procedures in place are sufficient to assure that material information concerning the Company which could affect the disclosures in the Company's quarterly and annual reports is made known to him by the other officers and employees of the Company, and that the communications occur with promptness sufficient to assure the inclusion of the information in the then-current report.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date on which Mr. Margolies performed his evaluation.

PART II - OTHER INFORMATION

Item 6. Exhibits and reports on Form 8-K.

Reports on Form 8-K. None

Exhibits:

99 Section 906 Certification

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSPORTATION LOGISTICS INT'L, INC.

Date: May 21, 2003

By: /s/ Michael Margolies

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Michael Margolies, Chief  
Executive Officer, Chief  
Financial Officer, Chief  
Accounting Officer

CERTIFICATION

I, Michael Margolies, certify that:

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1. I have reviewed this quarterly report on Form 10-QSB of Transportation Logistics Int'l, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 21, 2003

/s/ Michael Margolies

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Michael Margolies, Chief Executive  
Officer and Chief Financial Officer



\* \* \* \* \*

EXHIBIT 99

Section 906 Certification

The undersigned officer certifies that this report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Transportation Logistics Int'l, Inc.

A signed original of this written statement required by Section 906 has been provided to Transportation Logistics Int'l, Inc. and will be retained by Transportation Logistics Int'l, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

May 21, 2003

/s/ Michael Margolies

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Michael Margolies (Chief executive officer and  
chief financial officer)