TRANSPORTATION LOGISTICS INTL INC
Form 10QSB
May 20, 2002

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

FORM 10-QSB

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

For the quarterly period ended March 31, 2002

[ ] 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 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 [X] 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, 2002
Common Voting Stock: 30,218,338

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

PART 1 - FINANCIAL INFORMATION

Transportation Logistics Int'l Inc. and Subsidiaries
Consolidated Condensed Interim Balance Sheet
March 31, 2002

Assets

Current Assets		
Cash and equivalents	$	-
Accounts receivable, net of allowance for doubtful accounts of $37,497		1,278,221
Prepaid expenses		46,087
Total Current Assets		1,324,308
Property and equipment, at cost, less accumulated depreciation		304,194
Goodwill and customer lists, net of accumulated amortization		102,711
Other Assets		
Security deposits		61,500
Other assets		208,807
Total Other Assets		270,307
Total Assets	$	2,001,520
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$	918,218
Convertible Debenture		200,000
Notes payable to bank		413,002
Current maturities of long-term debt		145,000
Total Current Liabilities		1,683,666
Loan payable		789,791
Total Liabilities		2,473,457
Stockholders Equity		
Common stock, no par value; 50,000,000 shares authorized, 31,159,205 shares issued and outstanding		3,007,892
Additional paid-in capital - stock options		36,748
Retained earnings		(2,283,516)
Accumulated other comprehensive income		(54,706)
Less: treasury stock, 235,652 shares at cost		(456,675)
Consulting services to be provided		(721,680)
Total Stockholders' Equity		(471,937)
Total Liabilities and Stockholders' Equity	$	2,001,520

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Operating Revenues	$ 3,533,480	$ 1,600,120
Direct Operating Expenses	2,496,468	1,190,257
Gross Profit	1,037,012	409,863
Operating Expenses		
Selling, general and administrative	848,174	634,562
Stock issued for consulting services	24 920	-
Depreciation and amortization	58,272	59,427
Total Operating Expenses	931,366	693,989
Operating Income (Loss)	105,646	(284,126)
Other Income (Expense)		
Interest expense	(11,985)	(16,628)
Total Other Income (Expense)	(11,985)	(16,628)
Income (Loss) Before Income Taxes	93,661	(300,754)
(Provision) Benefit for Income Taxes	-	-
Income (Loss) Before Minority Interest	93,661	(300,754)
Minority Interest	(35,280)	-
Net Income (Loss)	$ 58,381	$ (300,754)
Earnings Per Share		
Income from continuing operations	$ -	$ (0.01)
Discontinued operations	-	-
Basic and diluted earnings per share	$ -	$ (0.01)
Weighted Average Number of Common Shares Outstanding		
Basic	25,412,881	20,902,500
Diluted	25,412,881	20,902,500

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001

Cash Provided by (Used in) Operating Activities	$ 106,675	$(233,497)
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(51,408)
Collection of notes receivable	-	408,383
Net Cash Provided by Investing Activities	-	356,975
Cash Flows From Financing Activities		
Loan payable, net	(130,342)	127,834
Proceeds from bank loans	-	110,626
Loans to affiliates	-	(117,630)
Net Cash Provided by (Used in) Financing Activities	(130,342)	120,830
Net Increase (Decrease) in Cash and Equivalents	(23,667)	244,308
Cash and Equivalents at Beginning of Period	23,667	195,616
Cash and Equivalents at End of Period	$ -	$ 439,924

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 11,985	$ 16,628
Income taxes	$ -	$ -

See notes to condensed consolidated financial statements.

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

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, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. 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-KSB for the year ended December 31, 2001.

STOCK ISSUED FOR CONSULTING SERVICES

During the first quarter of 2002 the Company issued 7,730,000 shares of common stock in consideration of commitments from the recipients to provide consulting services. The terms of the consulting agreements vary from two to five years. The market value of the common stock on the date of issuance will be recorded as an expense - "stock issued for consulting services" over the term of each consulting agreement.

SUBSEQUENT EVENT - SALE OF TLI(U.K.)

On April 19, 2002 the Company sold all of the capital stock of its subsidiary, Transportation Logistics Int'l (UK) Ltd. ("TLI(U.K.)"). TLI(U.K.) was sold to four individuals, including James Thorpe, who had been a member of the Board of Directors and President of the Company. Mr. Thorpe resigned from those positions on April 19, 2002. The purchase price given by the purchasers consisted of (a) $35,000 to be paid between November 2002 and April 2003 and (b) 940,867 shares of the Company's common stock, which were surrendered by Mr. Thorpe. As part of the transaction, TLI(U.K.) and the purchasers agreed that if within the next two years they participate in the Translogistics Network or in any similar cooperative global network of logistics providers, then 50% of the profits they derive from the network during the next five years will be paid to the Company.

OPERATING SEGMENTS

The Company's operations are classified into five principal reportable segments that provide different products or services: U.S. Logistics Services, Foreign Logistics Services, Student transportation, Employee leasing service, and financial services. Separate management of each segment is required because each business unit is subject to different marketing and operating strategies and different geographic locations.

Reportable Segments Three Months Ended March 31, 2002

	US Logistics Services	Foreign Logistics Services	Student Transportation Services	Employee Leasing Services	Financial Services	Total
External Revenue	$ 27,807	$858,842	$773,620	$1,227,554	$ 645,657	$3,533,48
Depreciation and Amortization	$ -	$ -	$ 25,400	$ 10,208	$ 22,664	$ 58,27
Operating Income (Loss)	$ (19,024)	$ 27,148	$ 35,055	$ 36,709	$ 25,758	$ 105,64
Assets	$ 22,001	$ 919	$607,140	$ 342.281	$1,029,179	$2,001,52
Capital Expenditures	$ -	$ -	$ -	$ -	$ -	$

Reportable Segments Three Months Ended March 31, 2001

U.S. Logistics	Foreign Logistics	Student Transportation

	Services	Services	Services	Total
External Revenue	$ 355,162	$ 494,851	$ 750,107	$1,600,120
Depreciation and Amortization	$ 22,684	$ -	$ 36,764	$ 59,448
Operating Income (Loss)	$ (303,585)	$(174,437)	$ 193,897	$ (284,125)
Assets	$2,513,017	$ 849,548	$ 608,539	$3,971,104
Capital Expenditures	$ 51,408	$ -	$ -	$ 51,408

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:

* the fact that Transportation Logistics' growth will be limited by its ability to obtain additional capital;
* the fact that the industry in which Transportation Logistics operates is dominated by large logistics companies, against whom Transportation Logistics must compete;
* the fact that the Transportation Logistics has recently begun to integrate a number of new logistics-related services with its established consolidation and delivery operations, and does not know yet how efficient the integration will be or whether this "full service" approach to logistics will be successful; and
* the fact that Transportation Logistics may not be able to attract the skilled managers it will need in order to expand its operations efficiently.

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 2001 we reoriented our business plan, moving away from a dominant focus on international logistics operations and moving towards the establishment of Transportation Logistics as a full-service provider of logistics and logistic-related services. In the first quarter of 2002 we experienced the first benefits of that reorientation, as we achieved a return to profitability. Subsequent to the end of the quarter we sold TLI(U.K.), the subsidiary which is devoted to international logistics, thus finalizing the reorientation of our business.

In addition to the influence of our new business plan, the decision to sell TLI(U.K.) was spurred by the dramatic fall-off in the business of that company. During 2001, as a result of the worldwide business recession and other factors, revenue from our foreign logistics operations fell to $2,289,505 from $2,734,390 in 2000. In the first quarter of 2002, revenue from this segment increased to $858,842 (compared to $494,851 in the first quarter of 2001), but the operations were still only marginally profitable, yielding operating income of $27,148. Based on these results and the continuing distress in the world, it became apparent that the subsidiary would not in the near term contribute to the growth of Transportation Logistics. For that reason the decision was made to sell TLI (U.K.) to its managers in the U.K.

The services we provide to the logistics industry - our personnel services and our financial services - continued to grow during the first quarter of 2002. Revenue from these businesses totaled $1,873,211. The personnel services division generated operating income of $36,709 during the recent quarter, and the financial services division generated operating income of $25,758 during the recent quarter. During 2002 we expect both of these divisions to expand substantially, particularly the financial services division, which was initiated late in 2001. The expansion of these operations should enable them to make a more significant contribution to our overall profitability, as they gain the benefits of economies of scale.

Revenue from Pupil Transportation were 3% greater in the first quarter of 2002 than in the first quarter of 2001, reflecting the increased number of contracts being serviced. At the same time, operating income at Pupil Transportation (before the allocation of corporate overhead) increased by 6%. The improvement in profitability is primarily the result of efficiencies gained in this division by upgrading our fleet, as well as the positive effects of our ongoing driver training programs. Since the summer of 2001 our insurance claims in this division have been reduced by 78%. The reported operating income for this segment was $35,055, as compared to operating income of $193,897 reported for the first quarter of 2001. The reduction reflects our new policy regarding allocation of corporate overhead among our subsidiaries.

Our operating divisions, in aggregate, produced $289,571 in operating income for the first quarter of 2002, before the allocation of corporate overhead. That operating income was offset, however, by $195,910 in expenses attributable to the operations of the corporate parent. These expenses primarily relate to corporate management, including the professional fees that are attendant to being a public company. In addition, one of the ways in which we established the network of significant relationships that facilitate our business operations was by issuing common stock to consultants and other individuals and enterprises which committed to assist our development. During the first quarter of 2002 we recorded $24,920 in expenses attributable to the market value of that stock. Our expectation is that these non-cash expenses will be offset by future cash benefits arising from the relationships we are developing.

Our overall gross profit margin for the first quarter of 2002 was 29%. This represents an improvement from the 26% margin realized in the first quarter of 2001. The improvement is attributable to the fact that in the beginning of 2001 our revenues were primarily transportation revenues, and our gross margins were dictated by the shipping industry: 12%-18% for ocean freight and 25% for air freight Our revenues in the first quarter of 2002 were primarily from our logistics-related services (personnel and finance). The range within which we can expect the gross margin from our new logistics-related services has not yet been determined, as those divisions do not have sufficient operating history to be predictive. Our goal, however, is to continue to achieve the margin reported for the first quarter of this year.

Selling, general and administrative expenses of $873,094 (including stock issued for consulting services) during the first quarter of 2002 represented 25% of revenue, compared to a ratio of 40% in the first quarter of 2001. This dramatic improvement occurred primarily because we have made a concerted effort to increase the efficiency of our overall operations. In addition, S,G&A expenses in 2001 included costs attributable to our efforts to acquire and develop the several subsidiaries which comprise our personnel and financial services divisions.

Liquidity and Capital Resources

The primary roadblock facing our plans for growth is our need for capital. 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 all of our service offerings to achieve the economies of scale that will facilitate profitability and growth.

Our operations produced positive cash of $106,675 during the first quarter of 2002. The entirety of that sum, and more, was used to satisfy outstanding debts. As a result, our working capital deficit at March 31, 2002 totaled $359,358, an improvement of $80,967 compared with the working capital deficit on $440,325 at December 31, 2001. While the existence of a working capital deficit remains a impediment to our growth, our ability to whittle away at it in this manner is evidence of our ability to sustain operations until we achieve positive working capital.

At the present time the only significant credit available to us is a facility of up to $2,000,000, based on eligible receivables, which was issued by Merchant Financial Corp. At March 31, 2002 we had an outstanding balance of $413,002 due to Merchant Financial. The facility expires on June 1, 2002; however, we expect Merchant Financial to extend the term of the credit facility.

Our working capital position is sufficient to sustain our present operations and to fuel a modest growth rate. Our business plan, however, calls for dramatic growth. To fund that growth, we will require additional capital resources. Management, therefore, is actively engaged in exploring opportunities for equity or debt financing, to obtain the funds needed for this planned expansion.

PART II - OTHER INFORMATION

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

Reports on Form 8-K.
None

Exhibits.
None

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 20, 2002 By: /s/ Michael Margolies

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