



US1 Industries Inc. (USOO)

US 1 Industries (OTCBB: USOO) is an administrative service provider partnering with independent business owners enabling them to successfully compete in the trucking, logistics and warehousing industries.



The Company

US 1 Industries, Inc., is a holding company that owns **subsidiary operating companies**, most of which are interstate trucking companies operating in 48 states. The Company's business consists principally of truckload operations, for which the Company obtains a significant percentage of its business through independent agents, who then arrange with independent truckers to haul the freight to the desired destination.

The Company also offers various services to small business owners in the trucking and logistics community. Those services include financial, risk management and information technology. Additionally the Company offers safety management and a number of other services that small, independent businesses need in order to operate effectively in the competitive trucking and logistics business.

The Company's principal subsidiaries consist of Antler Transport, Inc., Blue and Grey Transport, Inc., Blue and Grey Brokerage, Inc., Carolina National Logistics, Inc., Carolina National Transportation, Inc., Friendly Transport, Inc., Five Star Transport, Inc., Keystone Logistics, Inc., Unity Logistics Inc., Gulf Line Brokerage, Inc., Gulf Line Transportation, Inc., Keystone Lines, Inc., Cam Transport, Inc., Transport Leasing, Inc., Harbor Bridge Intermodal, Inc.,

Symbol:	USOO
Industry:	Services -Trucking
Market:	OTC Bulletin Board
Recent Price:	\$1.48
52-Week Price Range:	\$1.05 - \$2.27
Market Cap:	approx. 17.79 million

US 1 Industries Inc.

336 West US 30, Suite 201

Valparaiso, IN 46385

Phone: (219) 476-1300

<http://www.us1industries.com>

Patriot Logistics, Inc., US1 Logistics, Inc., and TC Services, Inc.

Most of these subsidiaries operate under authority granted by the United States Department of Transportation (the "DOT") and various state agencies. The Company's operating subsidiaries generally maintain separate offices, have their own management teams, officers and directors, and are run independently of the parent and each other.

The Company, through its subsidiaries, is primarily a non-asset based business, contracting with independent truckers who generally own the trucks they drive and independent agents who own the terminals from which they operate. The Company

pays the independent truckers and agents a percentage of the revenue received from customers for the transportation of goods.

The expenses related to the operation of the trucks are the responsibility of the independent contractors and the expenses related to the operation of the terminals are the responsibility of the agents.

Consequently, short-term fluctuations in operating activity have less of an impact on the Company's net income than they have on the net income of truck transportation companies that bear substantially all of the fixed cost associated with the ownership of the trucks.

Sarbanes-Oxley

USOO is not yet SOX compliant, but according to management it shouldn't have a problem in becoming compliant in the course of 2007. This is of course a positive sign as it is obligatory for every public Company. Smaller companies will have to comply with the law in 2007.

The Sarbanes–Oxley Act of 2002 (named after sponsors Senator Paul Sarbanes and Representative Michael G. Oxley) is a United States federal law passed in response to a number of major corporate and accounting scandals including those affecting Enron, Tyco International and WorldCom. These scandals resulted in a decline of public trust in accounting and reporting practices.

The legislation is wide ranging and establishes new or enhanced standards for all U.S. public company boards, management, and public accounting firms. The Act contains 11 titles, or sections, ranging from additional Corporate Board responsibilities to criminal penalties, and requires the Securities and Exchange Commission (SEC) to implement rulings on requirements to comply with the new law.

Some people in the business community have acknowledged that, as John Thain, CEO of the New York Stock Exchange states, "There is no question that, broadly speaking, Sarbanes-Oxley was necessary. However, the cost of implementing the new requirements has led some to widespread questioning of how effective or necessary the specific provisions of the law truly are".

For companies, a key concern is cost of updating information systems to comply with the control and reporting requirements. Systems which provide document management, access to financial data, or long-term storage of information must now provide auditing capabilities. In most cases this requires significant changes, or even complete replacement, of existing systems which were designed without the needed level of auditing details. Costs associated with SOX 404 compliance have proven to be significant.

Financial Results

A few weeks ago third quarter and nine month results were announced. Operating revenues for the third quarter of 2006 increased **11.5%** to \$49.5 million compared to \$44.4 million for the same period in 2005. The Company's net income was \$706,327 in the third quarter of 2006 compared to \$2,325,637* for the same period in 2005.

For the nine months ended September 30, 2006, operating revenues increased **11.3%** to \$142.4 million compared with \$127.9 million for the same period in 2005. For the nine months ended September 30, 2006, the Company's net income was \$1,718,565 compared with \$3,558,295* for the same period in 2005.



* The Company had reserved \$1.7 million with respect to a jury verdict in its financial statements for the year ended December 31, 2004. The Company has reversed that reserve in the period ending September 30, 2005. Excluding the legal settlement, net income for the third quarter ending September 30, 2005 was \$625,637 or \$.05 per share. Excluding the legal settlement, net income for nine months ended September 30, 2005 was \$1,858,295 or \$.15 per share.

The increase in the Company's operating revenues is attributable to the continued growth of Patriot Logistics, Inc., Keystone Lines, Inc., Carolina National Transportation, Inc., and US 1 Logistics, Inc. The growth of these subsidiaries is primarily attributable to the addition of new terminals and growth of existing terminals.

US 1 Industries has an extremely low P/E ratio of only 7.91 and a pristine balance sheet.

Taken the \$1.7 million reserve into account the third quarter results were slightly better compared to those in 2005.

These results were achieved despite various factors such as higher interest rates and higher salaries attributed to the addition of personnel hired to accommodate the growth of new terminals that have not yet begun to, or did not, produce at their full revenue potential.

Balance Sheet

At the end of the third quarter of 2006, USOO had a satisfying current ratio of 1.31, shareholders' equity of more than \$9.6 million and NO long term debt.

Investors should note that the Company had \$2.8 million of long term debt payable to its CEO and CFO, which was due to mature on October 1, 2007. The Company however issued a Convertible Subordinated Promissory Note instead, in the amount of \$1,975,000 to Mr. Kibler (CEO) and in the amount of \$1,975,000 to Mr. Antonson (CFO).

What is interesting about these new notes is that they can be converted into shares of the Company's common stock. The conversion price is \$1.48, which is around today's stock price.

We feel this is a positive decision, as management shows they don't want to drain the Company's assets.

All in all, US 1 Industries produces solid results quarter after quarter. The Company has an extremely low P/E ratio of only 7.91 and a pristine balance sheet.

The Transportation Market

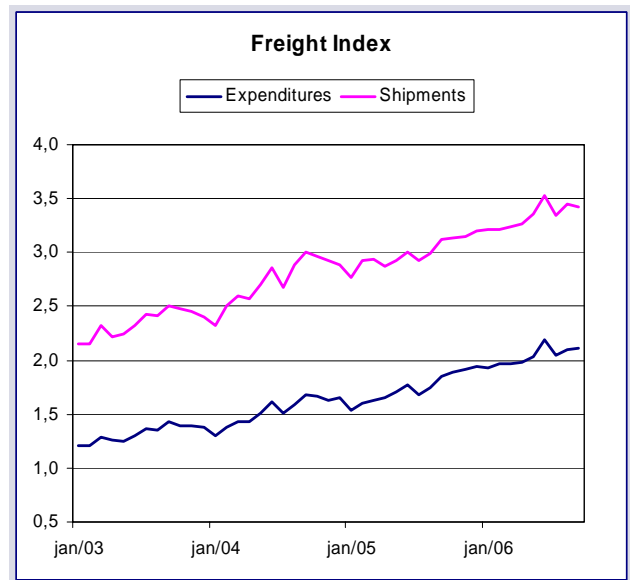
US 1 Industries operates in the highly competitive non-asset based truckload industry of the transportation sector. The Company competes for customers primarily with nationwide carriers, some of which have company-owned equipment and company drivers. Competition is based on several factors such as cost, timely availability of equipment, and quality of service.

The combination of these factors helps USOO to excel in the market.

The US transportation sector is still in good shape as shown by the following statistics.

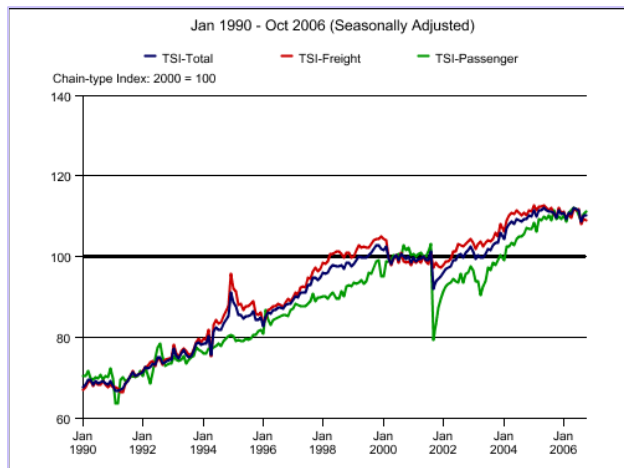
➤ The **Volume Index of Freight Expenditures and Shipments** that is based upon transportation dollars and shipments of Cass* clients, showed a year-over-year increase in expenditures and shipments of 14.4% and 2.75% respectively.

* Cass Information Systems is a leading provider of freight invoice payment, audit and rating services in North America.



➤ The **Transportation Services Index (TSI)**, created by the U.S. Department of Transportation (DOT), which measures the movement of freight and passengers, rose 1.5 percent in September from the August level rising one month after the largest monthly decline in five years.

The index, which is seasonally adjusted, combines available data on freight traffic, as well as passenger travel.



The TSI Freight Index climbing again after a dip.
Source: Bureau of Transportation.

➤ And finally, the **Intermodal Association of North America** (North America's leading industry trade association representing the combined interests of the intermodal freight industry), reported that intermodal volume set a new record of 3.7 million loads in the third quarter. This represented an increase by 4.9 percent and topped the previous mark that was set in the second quarter of this year.

The increase, led by an 8.6 percent rise in international traffic that was spurred by higher imports, marked the 18th consecutive quarter of growth, and included an all-time monthly high of 1.3 million shipments in August. The previous record for any quarter was 3.58 million shipments. The previous monthly record was set in June of 2006.

Management

Since current management took over the helm in 1993 the Company has gone through a successful transformation. Both the CEO and CFO are large shareholders of the Company's stock. And there are no governance problems as executive salaries are modest.

➤ Michael Kibler

Mr. Kibler is President and Chief Executive Officer of the Company and has held these positions since September 13, 1993 and has been a director since 1993.

He also has been President of Enterprise Truck Lines, Inc., an interstate trucking company engaging in operations similar to the Company's, since 1972. Mr. Kibler owns 1.15 million shares or 9.6% of the Company.

➤ Harold Antonson

Mr. Antonson is Chief Financial Officer of the Company, a position he has held since March 1998. Mr. Antonson is a certified public accountant.

He was elected a director and Treasurer of the Company in November 1999. Mr. Antonson also owns 1.15 million shares of US 1 Industries.

➤ Lex Venditti

Mr. Venditti has served as a director of the Company since 1993.



US 1 Industries' partners have hundreds of trucks on the US roads daily.

➤ Robert Scissors

Mr. Scissors has been a Director of the Company since 1993. Mr. Scissors began his career in the Insurance Industry in 1957.

In 1982, Mr. Scissors joined a brokerage firm called Alexander/Alexander where he worked until retiring in 1992. Mr. Scissors currently works as an insurance consultant and broker.

➤ Brad James

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

Conclusion

We believe that US 1 Industries is much undervalued at current levels.

- ✓ This is a clean-cut financial operation, with no long term debt.
- ✓ The Company produces solid revenues and earnings each quarter.
- ✓ The shares are quoted at a very low P/E.
- ✓ A large number of shares are held by insiders. We believe this is a positive sign as management will do its utmost best to increase shareholder value.
- ✓ The Company will become SOX compliant in 2007.
- ✓ The US transportation sector is still in good shape as evidenced by several indicators.
- ✓ USOO is run by a responsible and professional management team.

The Smallcaps.us Staff

Comments & suggestions: editor@smallcaps.us



OTCBB: USOO

Company Headquarters

US 1 Industries Inc.
336 West US 30, Suite 201
Valparaiso, IN 46385

Phone: 219-476-1300
Fax: 219-476-1385

Company Contact

Michael Kibler, President and CEO

This Company Report is prepared and distributed by Smallcaps.us
editor@smallcaps.us

Income Statement

PERIOD ENDING	FY 2003	FY 2004	FY 2005	9M 2006
Total Revenue	121,747	143,313	166,648	142,407
Cost of Revenue	96,527	120,600	132,852	117,100
Gross Profit	25,221	22,713	33,796	25,307
Operating Expenses				
Research Development	-	-	-	-
Selling General and Administrative	23,497	20,957	31,019	22,519
Non Recurring	-	1,700	-1,700	-
Others	-	-	-	-
Total Operating Expenses	-	-	-	-
Operating Income or Loss	1,723	56	4,477	2,788
Income from Continuing Operations				
Total Other Income/Expenses Net	318	539	339	129
Earnings Before Interest And Taxes	1,886	567	4,782	2,375
Interest Expense	493	466	611	590
Income Before Tax	1,393	101	4,171	1,785
Income Tax Expense	-	87	54	67
Minority Interest	-155	-28	-35	-544
Net Income From Continuing Ops	1,393	15	4,117	1,718
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	1,393	15	4,117	1,718
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$1,393	\$15	\$4,117	\$1,718

About Smallcaps.us

Smallcaps.us, one of the fastest growing websites on the subject of American small cap stocks, publishes research reports written by their own staff and a few of the world's most recognized publishers of small cap investment newsletters. The Smallcaps.us staff is fully dedicated to offer a broad range of advanced investor awareness services, to generate results for its publicly traded clients. Long-term success in any investor centric activity is driven by accurate, complete and consistent communications. The multi-faceted approach of Smallcaps.us can significantly improve a client's corporate visibility among a broad range of investors, which can lead to greater liquidity and higher stock values.

Disclaimer

Through hard work, patience, a bit of common sense and some good fortune fine returns can be achieved. But all readers are advised that they should not assume that current or future recommendations will be profitable or equal the performance of past recommendations. All stock investments carry some degree of risk. The portfolios of Smallcaps.us and/or its employees may include securities mentioned on Smallcaps.us. Information contained on Smallcaps.us was derived from sources believed to be reliable. However its accuracy and completeness is not guaranteed. Always do your own due diligence. Smallcaps.us was not compensated for writing and distributing this report. © 2003 - 2007 <http://www.Smallcaps.us>. All rights reserved.