

TRISM INC /DE/
Form 10-Q
November 01, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2001

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 0-23210

TRISM, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

13-3491658
(I.R.S. Employer Identification No.)

4174 Jiles Road, Kennesaw, Georgia 30144
(Address of principal executive offices) (Zip Code)

(770) 795-4600
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

As of October 31, 2001; 1,999,649 shares of TRISM, Inc.'s common stock, par value \$.01 per share, were outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

<u>Item</u>	<u>Page</u>	
1.	<u>Financial Statements</u>	3
2.	<u>Management's Discussion and Analysis of Results of Operations</u>	17
3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	22

PART II - OTHER INFORMATION

<u>Item</u>	<u>Page</u>	
1.	Legal Proceedings	Not Applicable
2.	Changes in Securities and Use of Proceeds	23
3.	Defaults upon Senior Securities	23
4.	Submission of Matters to a Vote of Security Holders	Not Applicable
5.	Other Information	Not Applicable
6.	Exhibits and Reports on Form 8-K	24

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TRISM, Inc.

Consolidated Balance Sheets

As of June 30, 2001 and December 31, 2000

Edgar Filing: TRISM INC /DE/ - Form 10-Q

(In thousands, except share amounts, unaudited)

ASSETS	<u>June 30, 2001</u>	<u>December 31, 2000</u>
Current assets:		
Cash and cash equivalents	\$ 2,123	\$ 194
Restricted cash and insurance deposits	4,521	2,500
Accounts receivable, net of allowance for doubtful accounts of \$1,797 and \$1,627 at June 30, 2001 and December 31, 2000, respectively	33,493	36,002
Other receivables	895	622
Materials and supplies	680	850
Prepaid insurance	3,273	7,942
Other prepaid expenses	3,115	3,716
	48,100	51,826
Total current assets		
Property and equipment, at cost	102,781	117,040
Less: accumulated depreciation and amortization	(19,814)	(12,315)
	82,967	104,725
Net property and equipment		
Other assets, net	1,960	1,739
	133,027	158,290
Total assets	\$ 133,027	\$ 158,290
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,533	\$ 15,831
Bank overdraft	0	1,261
Accrued expenses and insurance reserves	14,592	18,330
Current maturities of long-term debt:		
Principal payments	11,189	14,222
Residual obligations on equipment debt	9,323	4,975
Long term debt classified as current:		
Revolving credit facility	28,489	25,440
Equipment debt	30,934	35,004
Senior subordinated notes	30,000	30,000
	142,060	145,063
Total current liabilities		
Insurance reserves	7,337	7,080
	149,397	152,143
Total liabilities		
Stockholders' equity:		
Common stock; \$.01 par; 5,000,000 shares authorized; 2,000,000 shares issued and 1,999,649 outstanding.	20	20
Additional paid-in capital	19,980	19,980
Accumulated deficit	(36,370)	(13,853)
Treasury stock, at cost, 351 shares	-	-
	(16,370)	6,147
Total stockholders' equity (deficit)		

Edgar Filing: TRISM INC /DE/ - Form 10-Q

Income from discontinued operations of logistics segment, net of income tax of \$0.	46	64
Net loss	\$ (18,040)	\$ (348)
Basic and diluted earnings (loss) per share:		
Net loss from continuing operations	\$ (9.04)	\$ (0.20)
Discontinued operations	0.02	0.03
Net loss	\$ (9.02)	\$ (0.17)
Weighted average number of shares used in computation of basic and diluted earnings (loss) per share	1,999,649	1,999,649

See notes to unaudited consolidated financial statements.

Financial Statements continued

TRISM, Inc.			
Consolidated Statements of Operations			
For the six months ended June 30, 2001 and 2000			
(In thousands, except share and per share amounts, unaudited)			
	Six	Four and	Predecessor
	Months Ended	one half	Company
	June 30, 2001	Months Ended	One and
		June 30, 2000	one half
			Months Ended
			February 15, 2000
Revenues	\$ 119,530	\$ 103,343	\$ 30,222
Operating expenses:			
Salaries, wages and fringe benefits	42,071	33,744	10,829
Impairment loss on revenue equipment	13,309	0	0
Operating supplies and expenses	20,862	16,545	5,199
Contractor equipment	15,785	15,365	3,436
Brokerage carrier expense	7,443	7,656	1,813
Operating taxes and licenses	10,268	8,988	2,700
Claims and insurance	8,393	4,360	1,417

Edgar Filing: TRISM INC /DE/ - Form 10-Q

Depreciation and amortization	8,186	5,311	2,236
General supplies and expenses	6,902	4,906	1,437
Communications and utilities	2,103	1,165	551
Revenue equipment rents	364	2,355	994
(Gain) loss on disposition of assets	326	(227)	3
Loss on disposal of super heavy haul assets	-	156	-
	<hr/>	<hr/>	<hr/>
Total operating expenses	136,012	100,324	30,615
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(16,482)	3,019	(393)
Interest expense, net	5,709	3,403	686
Other expense, net	459	105	38
Reorganization items:			
Loss on adjustment of assets to fair market value	-	-	39,450
Financial restructuring costs	-	-	200
	<hr/>	<hr/>	<hr/>
Net loss from continuing operations	(22,650)	(489)	(40,767)
Income from discontinued operations of logistics segment, net of income tax of \$0.	133	170	135
	<hr/>	<hr/>	<hr/>
Net loss before extraordinary item	(22,517)	(319)	(40,632)
Extraordinary gain on extinguishment of debt	-	-	42,682
	<hr/>	<hr/>	<hr/>
Net income (loss)	\$ (22,517)	\$ (319)	\$ 2,050
	<hr/>	<hr/>	<hr/>
Basic and diluted earnings (loss) per share:			
Net loss from continuing operations	\$ (11.33)	\$ (0.24)	\$ (7.15)
Discontinued operations	0.07	0.08	0.02
Extraordinary item	-	-	7.49
	<hr/>	<hr/>	<hr/>
Net income (loss)	\$ (11.26)	\$ (0.16)	\$ 0.36
	<hr/>	<hr/>	<hr/>
Weighted average number of shares used in computation of basic and diluted earnings (loss) per share	1,999,649	1,999,649	5,702,000
	<hr/>	<hr/>	<hr/>

See notes to unaudited consolidated financial statements.

Financial Statements continued

TRISM, Inc.
Consolidated Statements of Cash Flows
For the six months ended June 30, 2001 and 2000
(In thousands, unaudited)

	Reorganized Company	Predecessor Company	
	Four and one half Months Ended June 30, 2000	One and one half Months Ended February 15, 2000	
	Six Months Ended June 30, 2001	June 30, 2000	
Cash flows from operating activities:			
Net income (loss) from continuing operations	\$ (22,517)	\$ (319)	\$ 2,050
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	8,186	5,311	2,236
Loss (gain) on disposition of assets, net	326	(71)	3
Impairment loss on revenue equipment	13,309	-	-
Provision for losses on accounts receivable	658	575	176
Changes in assets and liabilities:			
Restricted cash and insurance deposits	(2,021)	-	-
Accounts receivable	1,578	(7,598)	(666)
Materials and supplies	170	(431)	455
Prepaid expenses	5,270	1,907	2,625
Accrued expenses and insurance reserves	(3,481)	351	(3,370)
Accounts payable	1,702	1,452	1,165
Other	(200)	99	(130)
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities before reorganization items	2,980	1,276	4,544
	<hr/>	<hr/>	<hr/>
Cash flows from operating activities relating to reorganization items:			
Loss on adjustment of assets to fair market value	-	-	39,450
Extraordinary gain, net	-	-	(42,682)
Financial restructuring costs, net	-	(1,063)	162
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	2,980	213	1,474
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities:			
Proceeds from sale of assets	1,949	1,213	522
Purchases of property and equipment	(968)	(848)	(223)
	<hr/>	<hr/>	<hr/>
Net cash provided by investing activities	981	365	299
	<hr/>	<hr/>	<hr/>

Edgar Filing: TRISM INC /DE/ - Form 10-Q

Cash flows from financing activities:

Net proceeds under revolving credit agreement	3,049	8,187	1,020
Repayment of long-term debt and capital lease obligations	(3,820)	(7,016)	(3,797)
Increase (decrease) in bank overdrafts	(1,261)	330	920
Payment of deferred financing costs	-	(2,531)	(82)
	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	(2,032)	(1,030)	(1,939)
	<hr/>	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	1,929	(452)	(166)
Cash and cash equivalents, beginning of period	194	2,080	2,246
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents, end of period	\$ 2,123	\$ 1,628	\$ 2,080
	<hr/>	<hr/>	<hr/>
Supplemental cash flow information:			
Capital lease equipment purchases	\$ -	\$ 112	\$ -
	<hr/>	<hr/>	<hr/>
Conversion of operating leases to installment debt	\$ 1,064	\$ 2,592	\$ -
	<hr/>	<hr/>	<hr/>

See notes to unaudited consolidated financial statements.

Notes to Consolidated Financial Statements

Financial Results and Liquidity

Trism, Inc. (the "Company"), has incurred net losses of \$22.5 million, \$11.8 million, \$18.4 million and \$7.4 million during the six months ended June 30, 2001 and the years ended December 31, 2000, 1999 and 1998, respectively. The Company has been, and continues to be, faced with a variety of operating challenges, including, among others, escalating fuel costs, an increase in insurance costs, and the ability to attract and retain qualified driving employees. These factors have significantly impacted, and continue to significantly impact, the Company's liquidity.

The Company is presently in default of certain covenants related to its Senior Subordinated Notes Due 2005 (the "New Notes") and has not made interest payments relating to such notes which were due March 15, 2001 and September 15, 2001. Under the terms of the New Notes, the thirty-day grace period with respect to such interest payments has passed and the note holders may call the New Notes. The Company did not make these interest payments by the end of the grace period, and this constituted an Event of Default under the terms of the indenture pursuant to which the New Notes were issued. The total arrearage as of October 31, 2001 is \$4.5 million, including interest at 13% on the past due amount. In addition, beginning in October 2000 the Company has also been in default of certain covenants relating to its revolving credit facility (the "Revolver"). Since that time, the Company has

negotiated several forbearance agreements with the lender for the Revolver, the terms of which have included payment of fees totaling \$1.1 million, in exchange for such forbearance, as well as an increase in interest rates under the Revolver and a reduction in borrowing capacity. The most recent forbearance expires on November 30, 2001. The Company is presently negotiating with its lender for a continued extension of the forbearance agreements, however, such extension is not assured at this time. The Company is also in technical default on certain of its equipment debt and is several months behind in making certain of its equipment debt payments. As a result, in July 2001, one lender repossessed thirteen of the two-hundred-forty tractors which they have financed. Partial payments have been made to the lender and repossessions have been discontinued.

On March 9, 2001, the Company announced the Board of Directors has engaged the Carreden Group, Inc., investment bankers located in New York City, as financial advisor to explore strategic alternatives. With the assistance of Carreden Group, the Company is currently exploring alternative financing to replace the Revolver and is also engaged in preliminary discussions with potential purchasers of substantially all of the Company's assets who have indicated their interests in pursuing such a transaction. There can be no assurances that the Company will be successful in accomplishing either of these objectives. Moreover, the consummation of either of these alternatives may require a restructuring of the Company's existing indebtedness. In order to effect any such sale or restructuring of its indebtedness, it may be necessary for the Company to file for protection under Chapter 11 of the Bankruptcy Code.

On April 18, 2001, the Board of Directors authorized the retention of Transport Management, a trucking management firm, to assist in the management of the Company.

The following events occurred after June 30, 2001 to the Heavy Haul, Secured Materials, and Logistics segments of the Company:

As a result of the continued decline in the profitability of the general freight services, the Company has downsized the Heavy Haul segment. To facilitate the downsizing the Company announced the closure of the Trism Specialized Carriers ("TSC") on August 22, 2001. TSC completed delivery of all shipments in transit to their destination points. The Company will continue some over-dimensional services in the Heavy Haul segment through Tri-State Motor Transit ("TSMT"), which also operates in the Company's Secured Materials segment.

The Company has begun to return a total of 900 tractors to equipment lenders and to sell 3,000 trailers with a carrying value of \$40.2 million and \$21.0 million respectively as of June 30, 2001. The majority of this equipment had been operated by TSC. However, management has identified excess equipment in the Secured Materials segment that has been included in the above amounts. Trailers are being sold through an equipment broker the Company has engaged and the proceeds will be applied to the Revolver. Management estimates based on the current market for used trailers, that the proceeds from such sales will not be sufficient to recover the carrying value of the trailers. As a result the Company has recorded an impairment loss of approximately \$1.3 million for trailers during the three months ended June 30, 2001. Tractors are being returned to the equipment lenders for disposal and proceeds will be applied to equipment debt. Management estimates based on the current market for used tractors, that the proceeds from such sales will not be sufficient to recover the carrying value of the tractors. As a result the Company has recorded an impairment loss of approximately \$12.0 million for tractors during the three months ended June 30, 2001. Based on the balance of equipment debt and anticipated proceeds, the Company expects to owe approximately \$10.7 million to retire the equipment debt.

Financial Results and Liquidity, Continued

In addition to the reduction in the fleet, the Company has also reduced the number of driver and non-driver employees and is closing fifteen leased terminal facilities. No payments or other benefits were provided to severed employees except for accrued vacation. With respect to the closed terminal facilities, the Company has been able to exit lease agreements and management does not anticipate any material liability.

In August 2001, the Company reached agreements in principle to separately sell the two divisions of the Logistics segment, Trism Logistics, Inc. ("TLI"), and Trism Intermodal Services, to former officers of the Company. Declining revenues and shrinking customer lists prompted these sales.

The sale of Trism Intermodal Services, which was completed on August 20, 2001, resulted in the Company receiving \$60,000 in cash in exchange for the net assets, excluding accounts receivable and accounts payable, of this business as of the closing date, and recognizing a gain on the disposal of \$3,000. The operations of the Trism Intermodal Service division are included in income from discontinued operations of Logistics segment for all periods presented.

The sale of TLI, which was completed on August 31, 2001, resulted in the Company receiving total consideration of \$245,000; \$26,000 in cash and a release from \$219,000 in severance payments from a former officer, in exchange for the net assets, excluding accounts receivable and accounts payable, of this business as of the closing date, and recognizing a gain on the disposal of \$313,000. The operations of TLI are included in income from discontinued operations of Logistics segment for all periods presented.

The Board of Directors of the Company has determined that the sale of these entities is fair to the Company and is on terms at least as favorable to the Company as might reasonably have been obtained at the present time from an unaffiliated party. No member of the Board of Directors has a personal interest in the sale.

The Company's headquarters in Kennesaw, Georgia has been listed for sale. The property has been listed for sale at \$5.9 million as compared to a carrying value of \$5.2 million. This property also collateralizes the Revolver and the sale proceeds will be used to reduce the Revolver.

The Company has also listed for sale other land and terminal facilities throughout the country. These properties have been listed for sale at \$9.4 million as compared to a carrying value of \$6.2 million. These properties are not encumbered and the sale proceeds will be used to fund operations.

On October 4, 2001 and October 5, 2001, two of the Company's tractors were involved in single motor vehicle incidents while transporting materials for the Department of Defense. As a consequence, the Department of Defense disqualified the Company from picking up munitions effective 6:00 p.m. October 25, 2001. The Department of Defense has agreed to suspend this disqualification effective 6:00 a.m. November 5, 2001.

In November 2000, the Company purchased a premium-based insurance policy against bodily injury and property damage with a \$500,000 deductible per occurrence. As a result of this policy, insurance costs have increased 44.5% from \$2.9 million for the second quarter 2000 to \$4.2 million for the second quarter 2001. The Company has issued standby letters of credit in the amount of \$9.3 million and collateralized an additional \$4.4 million in the form of restricted cash deposits at June 30, 2001. Of the \$9.3 million letters of credit, only \$2.1 million are still outstanding as of September 30, 2001. During the three months ended September 30, 2001, letters of credit in the amount of \$6.2 million have been drawn, and \$1.0 million has been cancelled. On October 31, 2001, the Company has obtained insurance coverage for the Company's operations for a twelve month period beginning November 1, 2001 through October 31, 2002.

Existing credit facilities are not expected to be sufficient to cover liquidity requirements for the next twelve months and the Company is facing the prospect of not having adequate funds to operate its business. Due to a number of

uncertainties, many of which are outside the control of the Company, there can be no assurance that additional credit facilities can be arranged or that any long term restructuring can be successfully initiated or implemented, in which case the Company may be compelled to file for protection under Chapter 11 or to liquidate under Chapter 7 of the Bankruptcy Code. Moreover, it may be necessary for the Company to file under Chapter 11 to implement any consensually negotiated restructuring of its indebtedness or a sale of the Company as discussed above.

Notes to Consolidated Financial Statements, Continued

Financial Results and Liquidity, Continued

These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued existence is dependent on several factors, including the Company's ability to overcome the operational and liquidity issues discussed above. The Company's consolidated financial statements for the three and six months ended June 30, 2001 and for the year ended December 31, 2000 do not include any adjustments that might result from the outcome of this uncertainty.

Accounting Policies

Due to the Reorganization of the Company on February 15, 2000 as discussed below under "Emergence from Bankruptcy," and implementation of Fresh Start Reporting, Condensed Consolidated Financial Statements for the new Reorganized Company (period starting February 16, 2000) are not comparable to those of the Predecessor Company. The Reorganized Company relates to all operations post-emergence from bankruptcy and the Predecessor Company relates to all operations pre-emergence from bankruptcy. A black line has been drawn on the accompanying Condensed Consolidated Financial Statements to distinguish between the Reorganized Company and the Predecessor Company.

The 2000 Annual Report on Form 10-K for Trism, Inc. includes a summary of significant accounting policies and should be read in conjunction with this Form 10-Q. The statements for the periods presented in this Form 10-Q are condensed and do not contain all information required by accounting principles generally accepted in the United States of America to be included in a full set of financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position as of June 30, 2001 and the results of operations and cash flows for the periods ended June 30, 2001 and 2000, respectively, have been included. The Company's operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarters ending in December and March are materially lower than the quarters ending in June and September due to reduced shipments and higher operating costs in the winter months. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the entire year. Certain reclassifications were made to the 2000 accounts to reflect classifications adopted in 2001.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes accounting and reporting standards for derivatives and hedging. It requires that all derivatives be recognized as either assets or liabilities at fair value and establishes specific criteria for the use of hedge accounting. The Company adopted SFAS 133 on January 1, 2001. There was no material effect on consolidated results of operations, financial position, cash flows or stockholders' equity upon adoption of SFAS 133.

On June 29, 2001, Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" was approved by the Financial Accounting Standards Board (FASB). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Goodwill and certain intangible assets will remain on the balance sheet and not be amortized. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write-downs may be necessary. SFAS No. 141 was required to be implemented by July 1, 2001. There was no material effect on the consolidated financial position or results of operations upon adoption of SFAS No. 141.

On June 29, 2001, SFAS No. 142, "Goodwill and Other Intangible Assets" was approved by the FASB. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of this statement. The Company is required to implement SFAS No. 142 on January 1, 2002. Management expects no material effect on the consolidated financial position or results of operations upon adoption of SFAS No. 142 as there is no recorded goodwill or other intangible assets.

On August 1, 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was approved by the FASB. SFAS No. 144 addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 142 is required to be adopted on January 1, 2002. Management has not determined the impact, if any, that this statement will have on our consolidated financial position or results of operations.

Notes to Consolidated Financial Statements, Continued

Emergence from Bankruptcy

On September 16, 1999, the Company filed (the "Filing") for protection under Chapter 11 of the United States Bankruptcy Code (the "Code") in the District of Delaware. The Company operated as a Debtor-in-Possession ("DIP") under the Code. Subsequent to the Filing, the Company obtained a \$42.4 million senior collateralized DIP credit facility to meet its ongoing working capital needs and replace its pre-petition revolving credit facility. The DIP facility provided for borrowings up to \$35 million on a revolving credit facility, with availability depending upon a borrowing base formula based on accounts receivable. Additionally, the DIP facility provided additional borrowing capacity of \$2.4 million to refinance an existing term loan collateralized by five hundred and forty-one trailers and an incremental \$5 million of borrowings, if drawn, to be collateralized by identified real property and other unencumbered trailers. The borrowings bore interest at rates ranging from prime rate plus .25% to .50% or from LIBOR rates plus 2.25% to 2.50%. The DIP facility was repaid in full on February 15, 2000, the effective date of the Plan of Reorganization (the "Plan"). On October 25, 1999 the Court signed an order approving the second amended disclosure statement for a joint plan of reorganization. On December 9, 1999, the Plan was confirmed by the United States Bankruptcy Court, District of Delaware (the "Court").

On February 15, 2000, the consummation of the Company's Plan of Reorganization was completed, and the Company exited from Chapter 11. The Company converted the existing Senior Subordinated Notes ("Notes") and common equity as outlined under the terms of the restructuring agreement.

The agreement provided for the Notes to be converted into (i) New Notes in the aggregate principal amount of \$30 million, due February 15, 2005, with interest at the rate of 12% per annum (the first two semi-annual interest payments were paid on March 15, 2000 and September 15, 2000), and (ii) 95% of the new common equity of the Company to be issued post-recapitalization. The agreement also provided that the Company's old common equity would be converted into 5% of the new common equity issued post-recapitalization.

Revolving Credit Facility and Other Debt

In connection with the exit from Chapter 11, the Company obtained the Revolver, a new, three-year \$42.5 million revolving credit facility. The Revolver now provides for borrowings up to \$40.0 million based on a borrowing base formula determined by eligible accounts receivable, certain unencumbered trailers, and the Company's real property in Kennesaw, Georgia. The Revolver also provides for the issuance of letters of credit up to \$17 million. The Revolver bears interest at the prime rate plus .25% or LIBOR plus 2.25%. No financial covenants exist unless availability, as defined, initially falls below \$5 million for ten consecutive business days. If availability falls below \$5 million, required covenants include a minimum net worth threshold, minimum fixed charge coverage ratio and a maximum leverage ratio. The Revolver also limits debt incurrence, capital expenditures, changes in control and management, mergers and certain material asset sales, irrespective of the \$5 million availability threshold.

On October 19, 2000, the Company was notified by CIT Business Credit that an event of default had occurred under the Revolver concerning a change in management restriction as a result of the resignation of the former Chief Executive Officer and Chief Financial Officer of the Company. On October 27, 2000, the Company was notified by CIT Business Credit that an event of default had occurred under the Revolver concerning a materially adverse effect evidenced by, (a) the Company's current and projected future negative earnings and cash flow, (b) the change in management discussed in notice of default on October 19, 2000, (c) the increase in fuel costs to the Company and (d) a proposed sixty percent increase in insurance premiums to the Company.

On November 8, 2000, the Company executed a forbearance agreement with CIT Business Credit that modified certain terms with the Revolver, including a \$3.0 million forbearance reserve on collateral availability, and increased interest rates to 2.0% above Prime and required the payment of a forbearance fee of \$150,000. The forbearance agreement has been subsequently amended to decrease the forbearance reserve to \$2.0 million and has been extended first on a biweekly and since June 4, 2001 on a weekly basis for additional fees totaling \$1,098,000. The most recent amendment, dated October 29, 2001, extended the forbearance period until November 30, 2001. The Company has agreed, during the period of forbearance, not to pay the interest due on its outstanding Senior Subordinated Notes Due 2005.

Cash and availability under the Revolver was approximately \$0.04 million and \$0.6 million at September 30, 2001 and June 30, 2001, respectively; after reserving \$2.8 million and \$3.8 million as required by the forbearance agreement as of September 30, 2001 and June 30, 2001, respectively. Borrowings under the Revolver amounted to approximately \$23.3 million and \$28.5 million at September 30, 2001 and June 30, 2001, respectively. The September 30, 2001 Revolver balance includes \$6.2 million letters of credit which have been drawn during the three months ended September 30, 2001. The Company has classified the long-term debt under the Revolver as current due to the existence of the technical default caused by a change in management.

Notes to Consolidated Financial Statements, Continued

Shareholder Rights Plan

On April 27, 2001, the Board of Directors of Trism, Inc. adopted a Shareholders Rights Plan and declared a dividend of one right for each outstanding share of Trism's Common Stock, par value \$.01 per share, to stockholders of record at the close of business on April 27, 2001 (the "Record Date"). A Shareholder Rights Plan is designed to assure that all of the Company's securityholders are offered a full and fair price in the event a potential acquirer seeks to gain control of the Company and to protect securityholders from attempts to acquire effective control through open market and/or private purchases of common stock without paying a fair control premium to either selling or remaining stockholders. Under certain circumstances if a person or group (other than those eligible to report beneficial ownership on Schedule G) acquires beneficial ownership of 30 percent or more of the Company's outstanding Common Stock, each right (other than those owned by such beneficial owner) will entitle the holder to purchase from Trism a number of shares of Common Stock having a market value at that time of two times the \$1.50 exercise price of the right. The rights are not exercisable until the Distribution Date and will expire at the close of business on April 26, 2011, unless earlier redeemed by Trism. The complete description and terms of the rights are set forth in a Rights Agreement between Trism and Continental Stock Transfer & Trust Company, as Rights Agent.

Fresh Start Reporting

As of February 15, 2000, the Company adopted Fresh Start Reporting in accordance with AICPA Statement of Position 90-7. Fresh Start Reporting resulted in material changes to the consolidated balance sheet, including valuation of assets, intangible assets and liabilities at fair market value and valuation of equity based on the appraised reorganization value of the ongoing business.

In accordance with SOP 90-7, the Consolidated Statements of Operations should portray the results of operations of the Company while in Chapter 11. Expenses resulting from the restructuring are reported separately as reorganization items. In the accompanying Consolidated Statements of Operations for the one and one-half months ended February 15, 2000, the Company wrote-off \$39.5 million related to assets adjusted to estimated fair market value. Furthermore, the Company incurred financial restructuring costs of \$0.2 million for the one and one-half months ended February 15, 2000.

The Company's reorganization value of \$135 million (the approximate fair value) was based upon the assumed total long-term debt (including capital lease and operating lease obligations) of \$115 million and the estimated imputed equity value of the Reorganized Company at \$20 million during the administration of the bankruptcy in 1999. These values were based on the consideration of many factors and various valuation methods, including discounted cash flows, selected publicly traded Company market multiples, selected acquisition transaction multiples and other applicable ratios and valuation techniques believed by the Company's management and its financial advisors to be representative of the Company's business and industry.

The reorganization of the Company resulted in a discharge of debt under the Tax Code. The discharge reduced outstanding net operating loss carryforwards on February 15, 2000. However, due to a change in control the remaining net operating loss carryforwards are subject to annual limitations in accordance with section 382 of the Tax Code.

In addition, SOP 90-7 requires the Company to report interest expense during the bankruptcy proceeding only to the extent that it will be paid during the proceeding or that it is probable to be an allowed priority, secured or unsecured claim. Accordingly, the Company only recorded interest expense for its DIP credit facility and secured debt obligations subsequent to the bankruptcy filing. The difference between the reported interest expense and the contractual interest expense was \$1.9 million for the year ended December 31, 1999, and relates to the Notes. The

Company recorded interest expense for all long-term debt obligations prior to the Filing.

11

	Predecessor Company February 15, 2000	Reorganization and Fresh Start Adjustments		Reorganized Company February 15, 2000
		Debit	Credit	
ASSETS				
Current Assets	\$ 52,638	\$ -	\$ 917 (a) (b)	\$ 51,721
Property, Plant & Equipment, net	127,114	-	21,880 (c)	105,234
Other Long-term Assets, net	18,765	1,500 (e)	17,459 (d)	2,806
Total Assets	<u>\$ 198,517</u>	<u>\$ 1,500</u>	<u>\$ 40,256</u>	<u>\$ 159,761</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities	\$ 57,050	\$ 7,758 (a)	\$ 1,500 (e)	\$ 50,792
Long-term Debt	138,238	86,230 (a)	30,000 (f)	82,008
Other Long-term Liabilities	6,961	-	-	6,961
Total Liabilities	<u>202,249</u>	<u>93,988</u>	<u>31,500</u>	<u>139,761</u>
Stockholders' Equity	<u>(3,732)</u>	<u>37,302 (g)</u>	<u>61,034 (h) (i)</u>	<u>20,000</u>
Total Liabilities and Equity	<u>\$ 198,517</u>	<u>\$ 131,290</u>	<u>\$ 92,534</u>	<u>\$ 159,761</u>

(a) - To reflect the cancellation of the old Notes and related accrued interest expense and income.

(b) - To adjust current assets to fair market value.

(c) - To adjust property, plant and equipment to fair market value.

(d) - To adjust intangibles to fair market value.

(e) - To reflect deferred debt issuance costs of \$1.5 million relating to new Notes.

(f) - To reflect the issuance of the new Notes.

Edgar Filing: TRISM INC /DE/ - Form 10-Q

(g) - To reflect the cancellation of the old common stock and additional paid in capital and elimination of retained earnings of the Predecessor Company.(h) - To reflect the issuance of the new common stock and additional paid in capital of \$20.0 million.(i) - To reflect the extraordinary credit resulting from the discharge of indebtedness. The extraordinary gain calculation: Historical value of Old Senior Subordinated Notes
 "Old Notes" \$ 86,230 Historical value of Accrued Interest, net on Old Notes 6,952

93,182 Market Value of consideration exchanged for the Old Notes:	New Senior Subordinated Notes "New Notes" (30,000)
	Deferred financing fees on New Notes (1,500)
	New Common Stock (95% of 2.0 million shares) (19,000)

(50,500)

Extraordinary Gain

\$ 42,682

Notes to Consolidated Financial Statements, Continued

Fresh Start Reporting, Continued

The following unaudited pro forma condensed consolidated statement of operations presents the results of operations for the six months ended June 30, 2000, as though the consummation of the Plan and Fresh Start Reporting had been completed on January 1, 2000, and assumes that there were no other changes in the operations of the Company. The pro forma results are not necessarily indicative of the financial results that might have occurred had the consummation of the Plan and Fresh Start Reporting actually taken place on January 1, 2000, or of future results of operations (in thousands):

Pro forma Condensed Statement of Operations For six months ended June 30, 2000

		Six Months Ended
Revenues	\$	144,200
Operating expenses		<u>140,786</u>
Operating income		3,414
Interest expense, net		4,540

Other expense, net		171
		<hr/>
Net loss	\$	(1,297)
		<hr/>

Guarantor Subsidiaries

The Company's senior subordinated notes are guaranteed by all of the Company's direct and indirect subsidiaries (the "Guarantor Subsidiaries"). All of the Guarantor Subsidiaries are wholly owned direct or indirect subsidiaries of the Company and the guarantees of the Guarantor Subsidiaries are full, unconditional and joint and several. Trism, Inc., exclusive of its subsidiaries, has no independent assets or operations.

Contingencies

Under the Comprehensive Environmental Responses, Compensation and Liability Act ("CERCLA") and similar state laws, a transporter of hazardous substances may be liable for the costs of responding to the release or threatened release of hazardous substances from disposal sites if such transporter selected the site for disposal. Because it is the Company's practice not to select the sites where hazardous substances and wastes will be disposed, the Company does not believe it will be subject to material liability under CERCLA and similar laws. Although the Company has been identified as a "potentially responsible party" at four sites, solely because of its activities as a transporter of hazardous substances, the Company does not believe it will be subject to material liabilities at such sites.

The Company is a party to certain legal proceedings incidental to its business, primarily involving claims for personal injury or property damage arising from the transportation of freight. The Company does not believe that these legal proceedings, or any other claims or threatened claims of which it is aware, are likely to materially and adversely affect the Company's financial condition, results of operations and cash flows. With regard to personal injury, property damage, workers' compensation claims, and cargo claims, the Company is and has been covered by insurance. Such matters may include claims for punitive damages.

In addition to matters referred to above, the Company is a party to certain additional lawsuits, none of which is believed to involve a significant risk of materially and adversely affecting the Company's financial condition, results of operations and cash flows.

Notes to Consolidated Financial Statements, Continued

Segment and Related Information

The Company identifies operating segments based on management responsibility and marketing strategies. The Company has two reportable segments: Heavy Haul and Secured Materials. Prior to August 2001, Logistics was reported as an operating segment but has since been sold as previously discussed. The Logistics segment is reported as discontinued operations in the statements of operations for all periods presented.

Heavy Haul

Prior to downsizing, as discussed in "Financial Results and Liquidity", this segment consisted of Trism Specialized Carriers, Inc. ("TSC"), specializing in the transportation of over-sized and over-dimensional loads throughout the United States, Canada, and Mexico. The largest markets for Heavy Haul were manufacturers of large machinery and equipment, suppliers and contractors to industrial and public construction, importers of industrial durable goods and the U.S. Government. In addition, the division maintains trailer interchange agreements with certain Mexican carriers. As a result of the continued decline in the profitability of the general freight services of the heavy haul segment, the Company announced the closure of TSC on August 22, 2001. TSC completed delivery of all shipments in transit to their destination points.

The Company will continue over-dimensional services of the Heavy Haul segment by transferring necessary TSC equipment to Tri-State Motor Transit ("TSMT"), which also operates in the Company's Secured Materials segment. Remaining TSC equipment will be returned to the equipment lenders or sold as previously discussed in "Financial Results and Liquidity." The Heavy Haul segment will continue to provide services to customers in the southeastern United States.

Secured Materials

The Secured Materials segment consists of the following: TSMT and Trism Environmental Services ("TES"). The Secured Materials services are characterized by the toxic or explosive nature and special handling requirements of the cargo. The cargo typically consists of military munitions, commercial explosives, hazardous waste, and radioactive materials. The largest markets for Secured Materials are the United States government and various governmental agencies, waste generators, and environmental clean-up firms. TSMT is the largest transporter of the Department of Defense munitions in the continental United States. TSMT operates throughout the continental United States. TES provides service to customers in the hazardous waste and radioactive materials market and operates throughout the United States, but its primary market focus is east of the Mississippi. The operating companies within the Secured Materials segment have operating authority in the continental United States and certain provinces of Canada.

Notes to Consolidated Financial Statements, Continued

Segment and Related Information, Continued

A summary of segment information for the three months ended June 30, 2001 and 2000 is presented below (in thousands):

**Three
Months Ended**

**Three
Months Ended**

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
<u>Operating revenue</u>		
Heavy Haul	\$ 45,766	\$ 52,976
Secured Materials	18,412	18,884
Intersegment eliminations	(2,656)	(2,977)
	<hr/>	<hr/>
Consolidated	\$ 61,522	\$ 68,883
	<hr/>	<hr/>
<u>Operating income (loss)</u>		
Heavy Haul	\$ (15,402)	\$ 1,351
Secured Materials	612	578
	<hr/>	<hr/>
Consolidated	\$ (14,790)	\$ 1,929
	<hr/>	<hr/>
Interest expense, net	3,044	2,316
Other expense, net	252	25
	<hr/>	<hr/>
Net loss from continuing operations	\$ (18,086)	\$ (412)
	<hr/>	<hr/>
Income from discontinued operations of logistics segment, net of income tax of \$0.	\$ 46	\$ 64
	<hr/>	<hr/>
Net loss	\$ (18,040)	\$ (348)
	<hr/> <hr/>	<hr/> <hr/>

Notes to Consolidated Financial Statements, Continued

Segment and Related Information, Continued

A summary of segment information for the six months ended June 30, 2001 and 2000 is presented below (in thousands):

Edgar Filing: TRISM INC /DE/ - Form 10-Q

	Reorganized Company	Predecessor Company	
	Six	Four and one half	
	Months Ended	Months Ended	
	<u>June 30, 2001</u>	<u>June 30, 2000</u>	
		One and one half	
		Months Ended	
		<u>February 15, 2000</u>	
<u>Operating revenue</u>			
Heavy Haul	\$ 87,718	\$ 78,903	\$ 22,108
Secured Materials	36,284	28,821	9,315
Intersegment eliminations	(4,472)	(4,381)	(1,201)
Consolidated	\$ 119,530	\$ 103,343	\$ 30,222
	-	-	-
<u>Operating income (loss)</u>			
Heavy Haul	\$ (17,339)	\$ 1,744	\$ (590)
Secured Materials	857	1,275	197
Consolidated	\$ (16,482)	\$ 3,019	\$ (393)
Interest expense, net	5,709	3,403	686
Other expense, net	459	105	38
Reorganization items:			
Loss on adjustment of assets to fair market value	-	-	39,450
Financial restructuring costs	-	-	200
Net loss from continuing operations	\$ (22,650)	\$ (489)	\$ (40,767)
Income from discontinued operations of logistics segment, net of income tax of \$0.	133	170	135
Net loss before extraordinary item	\$ (22,517)	\$ (319)	\$ (40,632)
Extraordinary gain on extinguishment of debt	-	-	42,682
Net income (loss)	\$ (22,517)	\$ (319)	\$ 2,050

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain statements in this Form 10-Q include information that is forward-looking, such as the Company's anticipated liquidity

and capital requirements, the projections of future revenues and the estimated results of possible sales of various assets and businesses. The matters referred to in forward-looking statements could be affected by the risks and uncertainties involved in the Company's business. Subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph.

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and notes for the year ended December 31, 2000 and three and six months ended June 30, 2001.

To facilitate a meaningful comparison of the Company's quarterly operating performance in years 2001 and 2000, the following discussion of results of operations is presented on a traditional comparative basis for both periods. Accordingly, the results of operations for the six months ended June 30, 2000 represents the mathematical addition of the historical amounts for the predecessor company period January 1 through February 15, 2000, and the reorganized company period, February 16 through June 30, 2000. Consequently, the current year's information presented below does not comply with accounting requirements for companies upon emergence from bankruptcy which calls for separate reporting for the newly reorganized company and the predecessor company. Management believes that a combined discussion of predecessor and reorganized company periods is reasonable and appropriate because there were no material adjustments to the presented items (other than depreciation, amortization and interest expense) resulting from the Fresh Start Reporting.

The following tables summarize certain financial information on a percentage of revenue basis and selected operating data for the three and six months ended June 30, 2001 and 2000:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2001	2000	Variance	2001	2000	Variance
Percentage of Revenue Basis:						
Revenues	100.0	100.0	-	100.0	100.0	-
Operating expenses:						
Salaries, wages and fringe benefits	34.7	32.4	2.3	35.2	33.5	1.7
Impairment loss on revenue equipment	21.6	-	21.6	11.1	-	11.1
Operating supplies and expenses	17.3	16.0	1.3	17.5	16.3	1.2
Contractor equipment	13.6	15.1	(1.5)	13.2	14.1	(0.9)
Brokerage carrier expense	6.4	7.7	(1.3)	6.2	7.1	(0.9)
Operating taxes and licenses	8.1	8.7	(0.6)	8.6	8.8	(0.2)
Claims and insurance	6.8	4.2	2.6	7.0	4.3	2.7
Depreciation and amortization	6.7	5.2	1.5	6.8	5.7	1.1
General supplies and expenses	6.3	5.0	1.3	5.8	4.7	1.1
Communications and utilities	1.7	0.8	0.9	1.8	1.3	0.5
Revenue equipment rents	0.7	(0.3)	1.0	0.3	2.5	(2.2)
(Gain) loss on disposition of assets	0.2	2.2	(2.0)	0.3	(0.2)	0.5
Loss on disposal of super heavy haul	-	0.2	(0.2)	-	0.1	(0.1)
Total operating expenses	124.1	97.2	26.9	113.8	98.2	15.6
Operating income (loss)	(24.1)	2.8	(26.9)	(13.8)	1.8	(15.6)

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2001	2000	2001	2000
Selected operating data:				
Revenue per loaded mile (a)	\$1.93	\$1.82	\$1.89	\$1.82
Revenue per total mile (a)	\$1.60	\$1.51	\$1.56	\$1.50
Load factor (b)	83.0%	82.9%	82.8%	82.8%
Revenue per tractor per day (c)	\$572	\$514	\$536	\$510
Miles per tractor per day (c)	357	340	343	339
Average length of haul in miles (d)	987	942	976	934
Tractors (e)	1,536	1,845	1,581	1,836
Total loads (000's)	29	35	58	69
Total tractor miles (000's)	34,298	39,530	67,999	77,724

- (a) Freight revenues exclude brokerage, Super Heavy Haul and fuel surcharge revenues.
- (b) Load factor represents loaded miles as a percentage of total miles.
- (c) Based on weighted average number of tractors during period
- (d) Calculated as the average distance from origin to the destination of the shipments.
- (e) Includes the monthly average of owned, leased and independent contractors.

Summary of Second Quarter 2001 Results

Consolidated revenues decreased by 10.7% from \$68.9 million for the quarter ended June 30, 2000 to \$61.5 million for the quarter ended June 30, 2001. Revenues declined in the Heavy Haul segment by \$7.2 million, due to a decrease of 5.2 million miles as a result of fleet downsizing. Revenue per tractor per day (excluding fuel surcharges) increased by 11.3% from \$514 for the quarter ended June 30, 2000 to \$572 for the quarter ended June 30, 2001. This increase is primarily due to an increase in freight rates and in miles per tractor per day. The Company's operating costs were \$9.4 million higher due to \$13.3 million impairment loss on revenue equipment offset by an overall decrease in variable costs related to the decrease in the number of tractors from 1,845 in the second quarter of 2000 to 1,536 in the second quarter of 2001. Net loss for the quarter ended June 30, 2000, amounted to \$0.3 million as compared to a net loss of \$18.0 million including the impairment loss on revenue equipment in the second quarter of 2001.

Operating Revenue

Second Quarter 2001 as compared to Second Quarter 2000

Consolidated revenues decreased by \$7.4 million due in large part to the \$7.2 million decrease in Heavy Haul revenue. Heavy Haul revenue declined from \$53.0 million to \$45.8 million for the three months ended June 30, 2000 and 2001. The decline in revenue was caused by a decrease of 5.2 million miles despite an increase in revenue per loaded mile from \$1.82 to \$1.93.

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

Consolidated revenues decreased by \$14.0 million due in large part to the \$13.3 million decrease in Heavy Haul revenue. Heavy Haul revenue declined from \$101.0 million to \$87.7 million for the six months ended June 30, 2000 and 2001. The decline in revenue was caused by a decrease of 9.7 million miles despite an increase in revenue per loaded mile from \$1.82 to \$1.89.

18

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

Operating Income

Second Quarter 2001 as compared to Second Quarter 2000

Consolidated operating income decreased by \$16.7 million including \$13.3 million impairment loss on revenue equipment from \$1.9 million to an operating loss of \$14.8 million. The remaining \$3.4 million is attributable to Heavy Haul. The decline in operating income is only 44 percent as much as the decline in revenue due to the reduction in variable costs related to the Heavy Haul fleet downsizing.

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

Consolidated operating income decreased \$19.1 million primarily due to \$13.3 million impairment loss on revenue equipment and a \$4.9 million decrease in Heavy Haul operating income. The impact is less on operating income than revenue due to the reduction in variable costs (wages, fuel, permits, etc.) related to the Heavy Haul fleet downsizing.

Operating expenses

Second Quarter 2001 as compared to Second Quarter 2000

While most expenses decreased with the downsizing effort, depreciation and insurance expenses increased, as well as, an impairment loss of \$13.3 million recorded for the three months ended June 30, 2001. However, the increase in

depreciation was more than offset by the reduction in equipment rents.

Salaries, wages, and fringes benefits, contractor equipment expenses, and broker carrier expenses all decreased as a direct result of fewer miles and the fleet downsizing.

Operating taxes and licenses decreased \$0.3 million by purchasing 638,000 gallons less at the average tax rate of \$0.429 per gallon. In addition, over-dimensional permits declined \$0.5 million as a result of 5,000 fewer loads.

Claims and insurance expense increased as a result of claims liability of the \$500,000 deductible insurance policy in place during 2001.

Depreciation expense increased as a result of purchasing 152 tractors at the end of 2000 and improvements made to existing equipment.

Revenue equipment rents decreased as several of the operating lease contracts have expired and payments on remaining operating leases have not been made.

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

Operating expenses increased \$5.1 million due to the impairment loss on revenue equipment and increases in fixed costs such as communications and insurance expense offset by savings in variable costs (wages, fuel, permits, etc.) due to the decrease in the number of tractors.

Liquidity and Capital Resources

Operating Activities

Net cash provided by operating activities has increased by \$1.3 million primarily due to non-cash activities during the first quarter 2000 related to the gain on extinguishment of debt, net of the loss on adjustment of assets to fair market value as part of the fresh start accounting, and a reduction in accounts receivable from collection efforts, and an increase due to the impairment loss of \$13.3 million, offset by the increase in net loss for the year and the increase in restricted deposits as required for collateralization of the insurance policy on bodily injury and property damage.

Investing Activities

Net cash provided by investing activities has increased \$0.3 million due to increase in proceeds from sale of assets and a decrease in purchases of property, plant, and equipment.

Net cash used in financing activities has increased \$0.9 million due to reduced payments on equipment debt offset by reduced borrowing capacity. Failure to make equipment debt payments has forced the Company into default on its equipment debt.

Capital Requirements

The Company does not have any plans to replace or increase its tractor and trailer fleet in 2001. The Company has residual obligations of approximately \$9.3 million, primarily relating to certain capital lease obligations, that will mature within twelve month period ended June 30, 2002. The Company will return equipment to the lessors at the end of the lease term.

In November 2000, the Company purchased a premium-based insurance policy against bodily injury and property damage with a \$500,000 deductible per occurrence. As a result of this policy, insurance costs have increased 44.5% from \$2.9 million for the second quarter 2000 to \$4.2 million for the second quarter 2001. The Company has issued standby letters of credit in the amount of \$9.3 million and collateralized an additional \$4.4 million in the form of restricted cash deposits at June 30, 2001. Of the \$9.3 million letters of credit, only \$2.1 million are still outstanding as of September 30, 2001. During the three months ended September 30, 2001, letters of credit in the amount of \$6.2 million have been drawn, and \$1.0 million has been cancelled. On October 31, 2001, the Company has obtained insurance coverage for the Company's operations for a twelve month period beginning November 1, 2001 through October 31, 2002.

In connection with the exit from Chapter 11, the Company obtained the Revolver, a new, three-year \$42.5 million revolving credit facility. The Revolver now provides for borrowings up to \$40.0 million based on a borrowing base formula determined by eligible accounts receivable, certain unencumbered trailers, and the Company's real property in Kennesaw, Georgia. The Revolver also provides for the issuance of letters of credit up to \$17 million. The Revolver bears interest at the prime rate plus .25% or LIBOR plus 2.25%. No financial covenants exist unless availability, as defined, initially falls below \$5 million for ten consecutive business days. If availability falls below \$5 million, required covenants include a minimum net worth threshold, minimum fixed charge coverage ratio and a maximum leverage ratio. The Revolver also limits debt incurrence, capital expenditures, changes in control and management, mergers and certain material asset sales, irrespective of the \$5 million availability threshold.

On October 19, 2000, the Company was notified by CIT Business Credit that an event of default had occurred under the Revolver concerning a change in management restriction as a result of the resignation of the former Chief Executive Officer and Chief Financial Officer of the Company. On October 27, 2000, the Company was notified by CIT Business Credit that an event of default had occurred under the Revolver concerning a materially adverse effect evidenced by, (a) the Company's current and projected future negative earnings and cash flow, (b) the change in management discussed in notice of default on October 19, 2000, (c) the increase in fuel costs to the Company and (d) a proposed sixty percent increase in insurance premiums to the Company.

The Company is presently in default of certain covenants related to its Senior Subordinated Notes Due 2005 (the "New Notes") and has not made interest payments relating to such notes which were due March 15, 2001 and September 15, 2001. Under the terms of the New Notes, the thirty-day grace period with respect to such interest payments has passed and the note holders may call the New Notes. The Company did not make these interest payments by the end of the grace period, and this constituted an Event of Default under the terms of the indenture pursuant to which the New Notes were issued. The total arrearage as of October 31, 2001 is \$4.5 million, including interest at 13% on the past due amount. In addition, beginning in October 2000 the Company has also been in default of certain covenants relating to its revolving credit facility (the "Revolver"). Since that time, the Company has negotiated several forbearance agreements with the lender for the Revolver, the terms of which have included payment of fees totaling \$1.1 million, in exchange for such forbearance, as well as an increase in interest rates under the Revolver and a reduction in borrowing capacity. The most recent forbearance expires on November 30, 2001. The Company is presently negotiating with its lender for a continued extension of the forbearance agreements, however,

such extension is not assured at this time. The Company is also in technical default on certain of its equipment debt and is several months behind in making certain of its equipment debt payments. As a result, in July 2001, one lender repossessed thirteen of the two-hundred-forty tractors which they have financed. Partial payments have been made to the lender and repossessions have been discontinued.

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

Capital Requirements, Continued

Cash and availability under the Revolver was approximately \$0.04 million and \$0.6 million at September 30, 2001 and June 30, 2001, respectively; after reserving \$2.8 million and \$3.8 million as required by the forbearance agreement as of September 30, 2001 and June 30, 2001, respectively. Borrowings under the Revolver amounted to approximately \$23.3 million and \$28.5 million at September 30, 2001 and June 30, 2001, respectively. The September 30, 2001 Revolver balance includes \$6.2 million letters of credit which have been drawn during the three months ended September 30, 2001. The Company has classified the long-term debt under the Revolver as current due to the existence of the technical default caused by a change in management.

Collection efforts have been increased to generate needed cash. The balance of past due receivables (outstanding more than 90 days) has decreased from \$3.7 million at December 31, 2000 to \$2.9 million at June 30, 2001.

Existing credit facilities are not expected to be sufficient to cover liquidity requirements for the next twelve months and the Company is facing the prospect of not having adequate funds to operate its business. Due to a number of uncertainties, many of which are outside the control of the Company, there can be no assurance that additional credit facilities can be arranged or that any long term restructuring can be successfully initiated or implemented, in which case the Company may be compelled to file for protection under Chapter 11 or to liquidate under Chapter 7 of the Bankruptcy Code. Moreover, it may be necessary for the Company to file under Chapter 11 to implement any consensually negotiated restructuring of its indebtedness or a sale of the Company as discussed above.

These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued existence is dependent on several factors, including the Company's ability to overcome the operational and liquidity issues discussed above. The Company's consolidated financial statements for the three and six months ended June 30, 2001 and for the year ended December 31, 2000 do not include any adjustments that might result from the outcome of this uncertainty.

See the accompanying notes to the unaudited consolidated financial statements for an additional discussion of the Company's liquidity and capital resources.

Inflation and Fuel Costs

Inflation can be expected to have an impact on the Company's earnings; however, the effect of inflation has been minimal over the past three years. An extended period of inflation or increase in fuel costs would adversely affect the Company's results of operations without a corresponding freight rate increase from customers.

During the six months ended June 30, 2001, fuel prices have averaged \$1.40 per gallon as compared to \$1.37 per gallon during the same period in 2000. The Company has adjusted its freight rates to partially recover these increased costs. The Company recovered \$4.2 million through fuel surcharges to its customers during the six months ended June 30, 2001.

Market Risk

The Company is exposed to market risk from changes in interest rates and fuel prices. The Company manages its exposure to these market risks through its regular operating and financing activities and may utilize fuel forward purchase commitments, though no agreements were in place during 2001 or 2000.

Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes accounting and reporting standards for derivatives and hedging. It requires that all derivatives be recognized as either assets or liabilities at fair value and establishes specific criteria for the use of hedge accounting. The Company adopted SFAS 133 on January 1, 2001. There was no material effect on consolidated results of operations, financial position, cash flows or stockholders' equity upon adoption of SFAS 133.

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

Accounting Pronouncements, Continued

On June 29, 2001, Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" was approved by the Financial Accounting Standards Board (FASB). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Goodwill and certain intangible assets will remain on the balance sheet and not be amortized. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write-downs may be necessary. SFAS No. 141 was required to be implemented by July 1, 2001. There was no material effect on the consolidated financial position or results of operations upon adoption of SFAS No. 141.

On June 29, 2001, SFAS No. 142, "Goodwill and Other Intangible Assets" was approved by the FASB. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of this statement. The Company is required to implement SFAS No. 142 on January 1, 2002. Management expects no material effect on the consolidated financial position or results of operations upon adoption of SFAS No. 142 as there is no recorded goodwill or other intangible assets.

On August 1, 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was approved by the FASB. SFAS No. 144 addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 142 is required to be adopted on January 1, 2002. Management has not determined the

impact, if any, that this statement will have on our consolidated financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk" noted above.

PART II - OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

On April 27, 2001, the Board of Directors of Trism, Inc. adopted a Shareholders Rights Plan and declared a dividend of one right for each outstanding share of Trism's Common Stock, par value \$.01 per share, to stockholders of record at the close of business on April 27, 2001 (the "Record Date"). A Shareholder Rights Plan is designed to assure that all of the Company's securityholders are offered a full and fair price in the event a potential acquirer seeks to gain control of the Company and to protect securityholders from attempts to acquire effective control through open market and/or private purchases of common stock without paying a fair control premium to either selling or remaining stockholders. Under certain circumstances if a person or group (other than those eligible to report beneficial ownership on Schedule G) acquires beneficial ownership of 30 percent or more of the Company's outstanding Common Stock, each right (other than those owned by such beneficial owner) will entitle the holder to purchase from Trism a number of shares of Common Stock having a market value at that time of two times the \$1.50 exercise price of the right. The rights are not exercisable until the Distribution Date and will expire at the close of business on April 26, 2011, unless earlier redeemed by Trism. The complete description and terms of the rights are set forth in a Rights Agreement between Trism and Continental Stock Transfer & Trust Company, as Rights Agent.

Item 3. Default upon Senior Securities

The Company is presently in default of certain covenants related to its Senior Subordinated Notes Due 2005 (the "New Notes") and has not made its interest payments relating to such notes, which were due March 15, 2001 and September 15, 2001. Under the terms of the New Notes, the Company had a thirty-day grace period on these interest payments before the note holders could call the New Notes. The Company did not make the interest payment by the

end of the grace period, and this constituted an Event of Default under the terms of the indenture pursuant to which the New Notes were issued. The total arrearage as of October 31, 2001 is \$4.5 million, including interest at 13% on the past due amounts. In addition, beginning in October 2000 the Company has also been in default of certain covenants relating to its revolving credit facility (the "Revolver"). Since that time, the Company has negotiated several forbearance agreements with the lender for the Revolver, the terms of which have included payment of fees in exchange for such forbearance, as well as an increase in interest rates under the Revolver and a reduction in borrowing capacity. The most recent forbearance expires on November 30, 2001. The Company is presently negotiating with its lender for a continued extension of the forbearance agreement, however, such extension is not assured at this time.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

The following exhibits are filed as part of this report.

<u>Designation</u>	<u>Nature of Exhibit</u>
10.27	Amendments to the Forbearance Agreement on Revolving Credit Facility with CIT: Tenth Amendment
10.28	Eleventh Amendment
10.29	Twelfth Amendment
10.30	Thirteenth Amendment
10.31	Fourteenth Amendment
10.32	Fifteenth Amendment
10.33	Sixteenth Amendment
10.34	Seventeenth Amendment
10.35	Eighteenth Amendment
10.36	Nineteenth Amendment
10.37	Twentieth Amendment

10.38	Twenty first Amendment
10.39	Twenty second Amendment
10.40	Twenty third Amendment
10.41	Twenty fourth Amendment
10.42	Twenty fifth Amendment
10.43	Twenty sixth Amendment
10.44	Twenty seventh Amendment
10.45	Twenty eighth Amendment
10.46	Twenty ninth Amendment
10.47	Thirtieth Amendment
11	Computation of basic and diluted earnings (loss) per common share

B. Reports on Form 8-K

During the quarter covered by this report there was one report on Form 8-K filed as follows:

I. Other Events - Filed on April 30, 2001, reporting on the adoption of the Shareholders Rights Plan.

Subsequent to the quarter covered by this report and prior to the filing of this Form 10-Q, no reports on Form 8-K were filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

TRISM, INC.

Edgar Filing: TRISM INC /DE/ - Form 10-Q

By:/s/Thomas P. Krasner

Thomas P. Krasner
Chairman, President and
Chief Executive Officer

Date: November 1, 2001