

**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 March 31, 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 May 21, 2001, 2,000,000 shares of TRISM, Inc.'s common stock, par value \$.01 per share, were outstanding.

TRISM, INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

TRISM, Inc.
Consolidated Balance Sheets
(In thousands)

	<u>March 31, 2001</u>	<u>December 31, 2000</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 339	\$ 194
Restricted cash and insurance deposits	3,546	2,500
Accounts receivable, net of allowance for doubtful accounts of \$1,974 and \$1,627 for 2001 and 2000, respectively	34,149	36,002
Other accounts receivable	570	622
Total accounts receivable	34,719	36,624
Materials and supplies	682	850
Prepaid insurance	5,536	7,942
Other prepaid expenses	3,050	3,716
Total current assets	47,872	51,826
Property and equipment, at cost	116,557	117,040
Less: accumulated depreciation and amortization	(16,226)	(12,315)
Net property and equipment	100,331	104,725
Other assets, net	1,911	1,739
Total assets	<u>\$ 150,114</u>	<u>\$ 158,290</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 16,017	\$ 15,831
Bank overdraft	861	1,261
Accrued expenses and insurance reserves	17,074	18,330
Current maturities of long-term debt:		
Principal payments on equipment debt	12,289	14,222
Residual obligations on equipment debt	8,728	4,975
Long term debt classified as current:		
Revolving credit facility	26,497	25,440
Equipment debt	29,887	35,004
Senior subordinated notes	30,000	30,000
Total current liabilities	141,353	145,063
Insurance reserves	7,091	7,080
Total liabilities	148,444	152,143
Stockholders' equity:		
Common stock; \$.01 par value; 5,000 shares authorized; 2,000 shares issued	20	20
Additional paid-in capital	19,980	19,980
Accumulated deficit	(18,330)	(13,853)
Total stockholders' equity	1,670	6,147
Total liabilities and stockholders' equity	<u>\$ 150,114</u>	<u>\$ 158,290</u>

See notes to consolidated financial statements.

ITEM 1. Financial Statements

TRISM, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts, unaudited)

	Reorganized Company		Predecessor Company
	Three Months Ended March 31, 2001	One and one half Months Ended March 31, 2000	One and one half Months Ended February 15, 2000
Revenues	\$ 62,995	\$ 36,899	\$ 32,609
Operating expenses:			
Salaries, wages and fringe benefits	21,549	11,766	11,146
Operating supplies and expenses	10,238	5,542	5,209
Brokerage carrier expense	7,451	4,270	3,679
Contractor equipment	7,442	4,938	3,436
Operating taxes and licenses	5,286	2,974	2,700
Claims and insurance	4,226	1,471	1,417
Depreciation and amortization	4,056	1,748	2,243
General supplies and expenses	3,124	1,531	1,485
Communications and utilities	1,097	598	555
Revenue equipment rents	213	869	994
(Gain) loss on disposition of assets	(83)	(4)	3
Total operating expenses	64,599	35,703	32,867
Operating income (loss)	(1,604)	1,196	(258)
Interest expense, net	2,666	1,087	686
Other expense, net	206	80	38
Reorganization items:			
Financial restructuring costs	-	-	200
Loss on adjustment of assets to fair market value	-	-	39,450
Income (loss) before extraordinary item	(4,476)	29	(40,632)
Extraordinary item, gain on extinguishment of debt	-	-	42,682
Net income (loss)	<u>\$ (4,476)</u>	<u>\$ 29</u>	<u>\$ 2,050</u>
Basic and diluted earnings (loss) per share			
Income (loss) before extraordinary item	\$ (2.24)	\$ 0.01	\$ (7.13)
Extraordinary item	-	-	7.49
Net income (loss)	<u>\$ (2.24)</u>	<u>\$ 0.01</u>	<u>\$ 0.36</u>
Weighted average number of shares used in computation of basic and diluted earnings (loss) per share	<u>2,000</u>	<u>2,000</u>	<u>5,702</u>

See notes to consolidated financial statements.

ITEM 1. Financial Statements

TRISM, Inc. Consolidated Statements of Cash Flows (In thousands, unaudited)

	Reorganized Company		Predecessor Company
	Three Months Ended March 31, 2001	One and one half Months Ended March 31, 2000	One and one half Months Ended February 15, 2000
Cash flows from operating activities:			
Net income (loss)	\$ (4,476)	\$ 29	\$ 2,050
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,056	1,748	2,243
Amortization of deferred financing costs	75	37	-
Loss (gain) on disposition of assets	(83)	(4)	3
Provision for losses on accounts receivable	412	95	176
Changes in assets and liabilities:			
Restricted cash and insurance deposits	(1,046)	-	-
Accounts receivable	1,493	(3,364)	(666)
Materials and supplies	168	(170)	455
Prepaid expenses	3,072	810	2,625
Accrued expenses and insurance reserves	(1,245)	2,431	(3,370)
Accounts payable	186	(1,062)	1,165
Other	(247)	(80)	(137)
Net cash provided by operating activities before reorganization items	<u>2,365</u>	<u>470</u>	<u>4,544</u>
Cash flows from operating activities relating to reorganization items:			
Loss on adjustment of assets to fair market value	-	-	39,450
Extraordinary gain	-	-	(42,682)
Financial restructuring costs, net	-	(509)	162
Net cash provided by (used in) operating activities	<u>2,365</u>	<u>(39)</u>	<u>1,474</u>
Cash flows from investing activities:			
Proceeds from sale of assets	1,220	7	522
Purchases of property and equipment	(442)	(193)	(223)
Net cash provided by (used in) investing activities	<u>778</u>	<u>(186)</u>	<u>299</u>
Cash flows from financing activities:			
Net proceeds under revolving credit agreement	1,057	3,668	1,020
Repayment of long-term debt and capital lease obligations	(3,655)	(1,706)	(3,797)
(Decrease) increase in bank overdrafts	(400)	(67)	920
Payment of deferred financing costs	-	(1,950)	(82)
Net cash (used in) financing activities	<u>(2,998)</u>	<u>(55)</u>	<u>(1,939)</u>
Increase (decrease) in cash and cash equivalents	145	(280)	(166)
Cash and cash equivalents, beginning of period	194	2,080	2,246
Cash and cash equivalents, end of period	<u>\$ 339</u>	<u>\$ 1,800</u>	<u>\$ 2,080</u>
Supplemental cash flow information:			
Conversion of operating leases to installment debt	<u>\$ 358</u>	<u>\$ 449</u>	<u>\$ -</u>

See notes to consolidated financial statements.

TRISM, Inc.
Notes to Consolidated Financial Statements

Financial Results and Liquidity

Trism, Inc. (the "Company"), has incurred net losses of \$4.5 million, \$11.8 million, \$18.4 million and \$7.4 million during the quarter ended March 31, 2001 and the years ended December 31, 2000, 1999 and 1998, respectively. The Company had been faced with a variety of operating challenges, including, among others, escalating fuel costs, an increase in insurance costs, the ability to attract and retain qualified driving employees, and a reduced shipping demand given present domestic economic conditions. 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 its most recent interest payment relating to such notes, which was due March 15, 2001. Under the terms of the New Notes, the Company had a thirty-day grace period on this interest payment before the note holders can call the New Notes. The Company did not make the interest payment of \$1.86 million on April 15 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 May 21, 2001 is \$1.91 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 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 June 4, 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. 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.

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 quarter ended March 31, 2001 and for the year ended December 31, 2000 do not include any adjustments that might result from the outcome of this uncertainty.

The Company's near and long term operating strategies focus on exploiting existing and potential competitive advantages while eliminating or mitigating competitive disadvantages. In response to current market conditions and as a part of its ongoing corporate strategy, the Company is pursuing several initiatives intended to increase liquidity and better position the Company to compete under current market conditions. The Company has closed and reduced in size its network of terminal facilities throughout the United States and also reduced the number of non-driver employees. Sales and marketing efforts have been augmented by increasing the number of customer service personnel, increasing the number of outside sales personnel, and establishing an outbound telemarketing effort. Accounts receivable collection efforts have been expanded by the addition of collection personnel staff.

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.

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 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

Management believes that, despite the financial and operational hurdles and funding uncertainties going forward, it has under development a business plan that, if successfully funded and executed as part of a financial restructuring, can significantly improve operating results. The support of the Company's vendors, customers, lenders, stockholders and employees will continue to be key to the Company's future success.

Accounting Policies

Due to the Reorganization 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 March 31, 2001 and December 31, 2000 and the results of operations and cash flows for the periods ended March 31, 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.

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 semi-annual interest payment was paid on March 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.

Notes to Consolidated Financial Statements, Continued

Emergence from Bankruptcy, Continued

In connection with the exit from Chapter 11, the Company executed the Revolver, a new, three-year \$42.5 million revolving credit facility. The Revolver provides for borrowings up to \$42.5 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.

Shareholder Rights Plan

On April 27, 2001, the Company's Board of Directors adopted a Shareholder Rights Plan 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 the terms of the Rights Plan, under certain circumstances the Rights will become exercisable if a person or group (other than those eligible to report such ownership on Schedule 13G) acquires beneficial ownership of 30% or more of the Company's outstanding common stock, in which case each Right not held by such person or group will enable the holder to purchase that number of shares of the Company's common stock having a market value at that time of two times the \$1.50 exercise price of the Right. Details of the Rights Plan are described in the Company's Current Report on Form 8-K dated April 27, 2001 and a copy of the Rights Agreement establishing the Plan was filed as an Exhibit to such Current Report.

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.

Notes to Consolidated Financial Statements, Continued

Fresh Start Reporting, Continued

The Reorganization and the adoption of Fresh Start Reporting resulted in the following adjustments to the Company's consolidated balance sheet upon emergence from bankruptcy (in thousands):

	Predecessor Company	Reorganization and Fresh Start Adjustments			Reorganized Company
	February 15, 2000	Debit	Credit		February 16, 2000
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	17,459	(d) (e)	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	\$ 1,500	(a) (e)	\$ 50,792
Long-term Debt	138,238	86,230	30,000	(a) (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	(3,732)	37,302	61,034	(g) (h) (i)	20,000
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.

(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 is calculated below:

Historical value of Old Senior Subordinated Notes "Old Notes"	\$86,230
Historical value of Accrued Interest, net on Old Notes	<u>6,952</u>
	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)	<u>(19,000)</u>
	(50,500)
Extraordinary Gain	<u>\$42,682</u>

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 three months ended March 31, 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 three months ended March 31, 2000

Revenues	\$ 69,508
Operating Expenses	<u>68,087</u>
Operating Income	1,421
Interest Expense, net	2,224
Other Expense, net	<u>146</u>
Net Loss	<u><u>\$ (949)</u></u>

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 three reportable segments: Heavy Haul, Secured Materials and Logistics.

Heavy Haul

This segment consists of Trism Specialized Carriers, Inc. ("TSC"), the Company's largest operating segment, specializing in the transportation of over-sized and over-dimensional loads throughout the United States, Canada, and Mexico. The largest markets for Heavy Haul are manufacturers of large machinery and equipment, suppliers and contractors to industrial and public construction, importers of industrial durable goods and the U.S. Government.

Secured Materials

The Secured Materials segment consists of the following: Tri-State Motor Transit Co. ("TSMT"), Diablo Systems, Inc. ("Diablo") and C.I. Whitten Transfer ("CIW"), and is 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 U.S. Government and various governmental agencies, waste generators, and environmental clean-up firms.

TSMT, Diablo and CIW service customers in the munitions and explosives market and are collectively the largest transporters of Department of Defense munitions in the continental United States. TSMT and CIW operate throughout the continental United States, while Diablo's market focus is primarily in the western regions of the United States.

Trism Environmental Services ("TES"), a division of TSMT, 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.

Logistics

The Trism Logistics, Inc. ("TLI") segment specializes in the management of freight by truck (particularly in the hazardous waste market). TLI's client base includes engineering and construction companies, suppliers to the European Community, Fortune 500 companies, major utility companies and the rail industry through its intermodal division.

A summary of segment information for the three months ended March 31, 2001 and 2000 is presented below (in thousands):

	Reorganized Company		Predecessor Company
	Three Months Ended March 31, 2001	One and one half Months Ended March 31, 2000	One and one half Months Ended February 15, 2000
<u>Operating Revenue</u>			
Heavy Haul	\$ 41,953	\$ 25,927	\$ 22,108
Secured Materials	17,872	9,937	9,315
Logistics	4,986	2,439	2,387
Sub-total:	64,811	38,303	33,810
Intersegment eliminations	(1,816)	(1,404)	(1,201)
Consolidated	<u>\$ 62,995</u>	<u>\$ 36,899</u>	<u>\$ 32,609</u>
<u>Operating Income (Loss)</u>			
Heavy Haul	\$ (1,936)	\$ 393	\$ (590)
Secured Materials	245	697	197
Logistics	87	106	135
Consolidated	<u>\$ (1,604)</u>	<u>\$ 1,196</u>	<u>\$ (258)</u>
Interest expense, net	(2,666)	(1,087)	(686)
Other expense, net	(206)	(80)	(38)
Financial restructuring costs	-	-	(200)
Loss on adjustment of assets to fair market value	-	-	(39,450)
Income (loss) before extraordinary item	<u>\$ (4,476)</u>	<u>\$ 29</u>	<u>\$ (40,632)</u>

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, and the results of legal proceedings.

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 quarter ended March 31, 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 three months ended March 31, 2000 represent the mathematic addition of the historical amounts for the predecessor company period January 1 through February 15, 2000, and the reorganized company period, February 16 through March 31, 2000. Consequently, the current year's information presented below does not comply with reporting 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 months ended March 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>	<u>Variance</u>
Percentage of Revenue Basis:			
Revenues	<u>100.0</u>	<u>100.0</u>	<u>-</u>
Operating expenses:			
Salaries, wages and fringe benefits	34.2	33.0	1.2
Operating supplies and expenses	16.3	15.5	0.8
Brokerage carrier expense	11.8	11.4	0.4
Contractor equipment	11.8	12.0	(0.2)
Operating taxes and licenses	8.4	8.2	0.2
Claims and insurance	6.7	4.2	2.5
Depreciation and amortization	6.4	5.7	0.7
General supplies and expenses	5.0	4.3	0.7
Communications and utilities	1.7	1.7	-
Revenue equipment rents	0.3	2.7	(2.4)
(Gain) loss on disposition of assets	(0.1)	-	(0.1)
Total operating expenses	<u>102.5</u>	<u>98.7</u>	<u>3.8</u>
Operating income (loss)	<u>(2.5)</u>	<u>1.3</u>	<u>(3.8)</u>

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

	2001	2000
Selected operating data:		
Revenue per loaded mile (a)	\$1.85	\$1.81
Revenue per total mile (a)	\$1.53	\$1.50
Load factor (b)	82.6%	82.7%
Revenue per tractor per day (c)	\$506	\$505
Miles per tractor per day (c)	332	337
Average length of haul in miles (d)	965	926
Tractors (e)	1,626	1,826
Total loads (000's)	29	34
Total tractor miles (000's)	33,701	38,194

- (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 First Quarter 2001 Results

Net loss for the quarter ended March 31, 2001 amounted to \$4.5 million, or \$2.24 per basic and diluted share, compared to a net income of \$2.1 million, or \$0.37 per basic and diluted share, in the first quarter of 2000. First quarter operating results were negatively impacted by lower asset productivity and fewer miles driven in both the Heavy Haul and Secured segments. Additionally, the Heavy Haul segment was negatively impacted by a decline of \$0.6 million in brokerage revenues.

Operating Revenue

Operating revenue decreased \$6.5 million, or 9.4% from the first quarter 2000 to 2001. Revenue per loaded mile increased to \$1.85 for the quarter ended March 31, 2001 from \$1.81 for the quarter ended March 31, 2000, excluding brokerage, Super Heavy Haul and fuel surcharge revenues. Operating revenues were impacted by a decline in total miles driven of approximately 4.5 million from the first quarter of 2000 to 2001, which can be attributed to lower asset productivity and a reduction in total tractor count.

Operating Income

Operating income for the three months ended March 31, 2001 decreased \$2.5 from the three months ended March 31, 2000. The following factors negatively affected operating income: (a) miles driven declined by approximately 4.5 million miles; (b) insurance cost increased by \$0.049 per mile; (c) contractor equipment costs increased by \$0.044 per mile; (d) company driver wage costs increased by \$0.034 per mile; and (e) maintenance costs increased by \$0.019 per mile.

The decline in revenues and increase in certain variable costs in the first quarter of 2001 were partially offset by lower fixed freight operating costs of \$1.9 million. The reductions resulted from a reduced tractor and trailer fleet size and lower equipment rental expenses as a result of the sale of Super Heavy Haul in 2000.

Operating and Other Expenses

Total operating expenses were approximately \$64.6 million for the three months ended March 31, 2001 as compared to \$68.6 million for the three months ended March 31, 2000. While expenses decreased year over year, the decline in related revenues caused increases in most categories when evaluated as a percentage of revenue. The following expense categories increased or decreased significantly as a percentage of revenue between the periods:

Salaries, wages and fringe benefits increased 1.2% of revenue during the quarter ended March 31, 2001 as compared to the corresponding period in 2000. The increase primarily results from an increase in driver wages of \$0.034 per mile relating to pay increases implemented in second quarter 2000.

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

Operating and Other Expenses, Continued

Operating supplies increased by 0.8% of revenue during the quarter ended March 31, 2001 as compared to the corresponding period in 2000 as a result of increased fuel costs and increased maintenance costs relating to an increase in the age of the tractor fleet.

Claims and insurance expenses increased 2.5% of revenue from the quarter ended March 31, 2001 as compared to the corresponding period in 2000 as a result of increased insurance premium and claim costs relating to the Company's insurance program on liability for bodily injury and property damage. In November 2000, the Company began a deductible for bodily injury and property damage of \$500,000 per occurrence. Prior to November 2000, the Company maintained a first dollar premium-based insurance program against liability for bodily injury and property damage and was not subject to deductibles.

Depreciation and amortization expenses increased by 0.7% to 6.4% for the quarter ended March 31, 2001 from 5.7% for the quarter ended March 31, 2000. The increase in depreciation resulted primarily from an increase in owned tractors.

General supplies and expenses increased by 0.7% of revenue for the quarter ended March 31, 2001 as compared to the corresponding period in 2000 primarily as a result of increased driver recruiting expenditures in 2001.

Revenue equipment rent expenses decreased by 2.4% of revenue for the quarter ended March 31, 2001 as compared to the corresponding period in 2000 consistent with the reduction in the number of tractors under operating leases.

Liquidity and Capital Resources

Operating Activities

Net cash provided by operating activities was \$2.4 million for the quarter ended March 31, 2001 compared to \$1.4 million for the same period in 2000. The increase is 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 and a reduction in accounts receivable from collection efforts, offset by the increase in net loss for first quarter 2001 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 was \$0.8 million during first quarter 2001 as compared to net cash provided of \$0.1 million during first quarter 2000. The increase is due to higher proceeds from the sale of assets, offset by increased capital expenditures for equipment in 2001 as compared to 2000.

Financing Activities

Net cash used in financing activities was \$3.0 million for the quarter ended March 31, 2001 compared to \$2.0 million in for the quarter ended March 31, 2000. The increase in cash used in financing activities in 2001 primarily resulted from the increase in bank overdrafts due to the timing of disbursements and reduced proceeds from borrowings under the revolving credit agreement, which was offset by lower repayments of long-term debt and capital lease obligations.

Capital Requirements

The Company intends to use proceeds from unencumbered assets for general business capital expenditures in 2001. However, 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 \$5.0 million, primarily relating to certain capital lease obligations, that will mature in 2001, and the Company will have the option to extend the maturity of the residual, purchase the revenue equipment for the residual amount, sell the equipment and repay the residual, or return the equipment to the lessor at the end of the lease term.

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

Liquidity and Capital Resources, Continued

Revolving Credit Facility

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 increase the forbearance reserve to \$3.8 million and extended for additional fees totaling \$500,000. The most recent amendment, dated May 18, 2001, extends the forbearance period until June 4, 2001. The Company has agreed, during the period of forbearance, not to pay the interest due on its outstanding Senior Subordinated Notes Due 2005. Under the terms of the New Notes, the Company had a thirty-day grace period on its interest payment due March 15, 2001. The Company did not make the interest payment on April 15 and this constituted an Event of Default under the terms of the indenture pursuant to which the New Notes were issued. In addition, the Company is delinquent on all of its equipment debt obligations.

As a result of the Company's negative earnings and cash flow and its resulting failure to make the March 15, 2001 interest payment in the amount of \$1.86 million on the Notes and its continuing defaults under the Revolver with CIT Business Credit, there is substantial doubt as to the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on obtaining additional financing and/or negotiating a restructuring of its indebtedness, including the Notes and the Revolver.

Cash and availability under the Revolver was approximately \$0.6 million at March 31, 2001, after reserving \$3.8 million as required by the forbearance agreement. Borrowings under the Revolver amounted to approximately \$26.5 million at March 31, 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.

See "Financial Results and Liquidity" in the notes to the consolidated financial statements for an additional discussion of the Company's liquidity.

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. 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 and a continuation of the fuel surcharges.

During the three months ended March 31, 2001, fuel prices have averaged \$1.40 per gallon as compared to \$1.38 per gallon during the same period in 2000. The Company has adjusted its freight rates to partially recover these increased costs.

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.

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

Market Risk, Continued

Interest Rate Risk

The fair value of the Company's cash and cash equivalents at March 31, 2001 approximated carrying value due to its short-term duration. Market risk was estimated as the potential decrease in fair value resulting from a hypothetical 10% increase in interest rates for the issues contained in the investment portfolio and was not materially different from the year-end carrying value.

The Company has no material future earnings or cash flow exposures from changes in interest rates related to the senior subordinated notes or the Company's equipment obligations, as these long-term debt obligations have fixed rates. The fair value of the Company's long-term debt, including current maturities, was estimated to be \$95.6 million at March 31, 2001, and was below the carrying value by \$11.8 million. A hypothetical 10% increase in the interest rates on the Company's revolving credit facility for a duration of one year would not have a material impact on interest expense and cash flows in 2001.

Commodity Price Risk

The Company may use forward purchase commitments to reduce the exposure to fluctuations in fuel prices by entering into short-term fuel price agreements for the actual delivery of fuel. These forward purchase commitments have the effect of locking in for specified periods the price the Company will receive for the fuel volumes to which the forward purchase commitment relates. As a result, while these forward purchase commitments are structured to reduce the Company's exposure to increases in the price of fuel, they also limit the benefit the Company might otherwise have received from any price decreases associated with the fuel volumes. At March 31, 2001, the Company did not have any outstanding forward purchase commitments.

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.

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 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 most recent interest payment relating to such notes, which was due March 15, 2001. Under the terms of the New Notes, the Company had a thirty-day grace period on this interest payment before the note holders can call the New Notes. The Company did not make the interest payment of \$1.86 million on April 15 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 May 21, 2001 is \$1.91 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 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 June 4, 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. 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.

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>
10.26	Ninth Amendment to the Forbearance Agreement on Revolving Credit Facility with CIT
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 were no reports on Form 8-K filed.

Subsequent to the quarter covered by this report and prior to the filing of this Form 10-Q, one report on Form 8-K was filed as follows:

I. Other Events – Filed on April 30, 2001

Common Stock Purchase Right Dividend

On April 27, 2001, the Board of Directors of TRISM, Inc. 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"). Each right initially entitles the holder to purchase from TRISM one share of Common Stock at a purchase price of \$1.50 per share. 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 as described below. 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.

Items 1, 2, 4, and 5 of Part II were not applicable and have been omitted.

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.

By:/s/Thomas P. Krasner
Thomas P. Krasner
Chairman, President and
Chief Executive Officer

Date: May 22, 2001

TRISM, INC.

Exhibit Index

Exhibit Number	Description	Page Number
11	Computation of basic and diluted earnings (loss) per common share	20

TRISM, INC.
Computation of Basic and Diluted Earnings Per Common Share
(In thousands, except per share amounts, unaudited)

	Reorganized Company		Predecessor Company
	Three Months Ended March 31, 2001	One and one half Months Ended March 31, 2000	One and one half Months Ended February 15, 2000
Income (loss) before extraordinary item	\$ (4,476)	\$ 29	\$ (40,632)
Extraordinary item, gain on extinguishment of debt	<u>-</u>	<u>-</u>	<u>42,682</u>
Net income (loss)	<u><u>\$ (4,476)</u></u>	<u><u>\$ 29</u></u>	<u><u>\$ 2,050</u></u>
Weighted average number of shares			
Basic:			
Average common shares outstanding	<u>2,000</u>	<u>2,000</u>	<u>5,702</u>
Diluted:			
Average common shares outstanding	2,000	2,000	5,702
Common share equivalents resulting from assumed exercise of stock options	<u>-</u>	<u>-</u>	<u>-</u>
	2,000	2,000	5,702
Basic earnings (loss) per common share:			
Income (loss) before extraordinary item	\$ (2.24)	\$ 0.01	\$ (7.13)
Extraordinary item	<u>-</u>	<u>-</u>	<u>7.49</u>
Net income (loss)	<u><u>\$ (2.24)</u></u>	<u><u>\$ 0.01</u></u>	<u><u>\$ 0.36</u></u>
Diluted earnings (loss) per share:			
Income (loss) before extraordinary item	\$ (2.24)	\$ 0.01	\$ (7.13)
Extraordinary item	<u>-</u>	<u>-</u>	<u>7.49</u>
Net income (loss)	<u><u>\$ (2.24)</u></u>	<u><u>\$ 0.01</u></u>	<u><u>\$ 0.36</u></u>

Earnings (Loss) Per Share

Basic earnings (loss) per share excludes dilution and is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding. Common shares outstanding include issued shares less shares held in treasury prior to emergence from bankruptcy. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock (common stock equivalents). Diluted earnings per share is calculated by dividing net income by the sum of the weighted average number of common shares outstanding and dilutive common stock equivalents at the end of each reporting period. Common stock equivalents are excluded from the diluted calculation if a net loss was incurred for the period as these transactions are anti-dilutive.