

SECURITIES AND EXCHANGE COMMISSION

FORM SB-2/A

Optional form for registration of securities to be sold to the public by small business issuers
[amend]

Filing Date: **1996-08-26**
SEC Accession No. **0000950116-96-000900**

([HTML Version](#) on [secdatabase.com](#))

FILER

US TRANSPORTATION SYSTEMS INC

CIK: **779954** | IRS No.: **341397328** | State of Incorpor.: **NV** | Fiscal Year End: **1231**
Type: **SB-2/A** | Act: **33** | File No.: **333-04104** | Film No.: **96620892**
SIC: **4100** Local & suburban transit & interurban hwy passenger trans

Mailing Address
*33 WEST MAIN STREET
ELMSFORD NY 10523*

Business Address
*33 WEST MAIN STREET
ELMSFORD NY 10523
9143453339*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3
TO
FORM SB 2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

U.S. TRANSPORTATION SYSTEMS, INC.
(Name of Small Business Issuer in its Charter)

<TABLE>
<S> Nevada <C> 4111 <C> 34-1397328
(State or Other Jurisdiction of (Primary Standard Industrial (I.R.S. Employer
Incorporation or Organization) Classification Code Number) Identification No.)
</TABLE>

33 WEST MAIN STREET
ELMSFORD, NEW YORK 10523
(914) 345-3339
(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES AND PRINCIPAL
PLACE OF BUSINESS)

MR. MICHAEL MARGOLIES
CHIEF EXECUTIVE OFFICER
U.S. TRANSPORTATION SYSTEMS, INC.
33 WEST MAIN STREET
ELMSFORD, NEW YORK 10523
(914) 345-3339
(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

Copies To:

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1285 Avenue of the Americas 5400 Renaissance Tower
New York, New York 10019 1201 Elm Street
(212) 956-1500 Dallas, Texas 75270
(214) 745-5400

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |B(

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |B(

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. |B(
=====

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>
Amount Proposed Proposed Amount of

Title of Each Class of Securities to Be Registered	To Be Registered	Maximum Offering Price Per Share(1)	Maximum Aggregate Offering Price(1)	Registration Fee
<S>	<C>	<C>	<C>	<C>
Units ("Units"), each consisting of one share of common stock, par value \$.01 per share ("Common Stock") and one class C redeemable Common Stock purchase warrant ("Class C Warrants").....	2,300,000	\$ 4.3125	\$9,918,750	\$3,419.99
Common Stock issuable upon exercise of Class C Warrants(2)	2,300,000	\$ 4.3125	\$9,918,750	\$3,419.99
Underwriters' Unit Purchase Option	1	\$ 100.00	\$ 100.00	--
Units issuable upon exercise of Underwriters' Unit Purchase Option	200,000	\$ 7.12	\$1,424,000	\$ 491.00
Common Stock issuable upon exercise of Class C Warrants issuable upon exercise of Underwriters' Unit Purchase Option(3)	200,000	\$ 7.12	\$1,424,000	\$ 491.00
Units to be sold by Selling Stockholders	115,000	\$ 4.3125	\$ 497,938	\$ 180.00
Common Stock to be sold by Selling Stockholders	211,111	\$ 4.3125	\$ 910,417	\$ 313.94
Common Stock issuable upon exercise of Selling Stockholder Class C Warrants.....	115,000	\$ 4.3125	\$ 497,938	\$ 180.00
Total				\$8,495.92*

</TABLE>

* Of which \$13,766.48 has previously been paid

- (1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457.
- (2) This Registration Statement also covers any additional shares of Common Stock which may become issuable by virtue of the anti-dilutive provisions of the Class C Warrants. No additional registration fee is included for these shares.
- (3) This Registration Statement also covers any additional shares of Common Stock which may become issuable by virtue of the anti-dilutive provisions of the Underwriters' Unit Purchase Option or the Class C Warrants issuable upon exercise thereof.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This Registration Statement contains two forms of prospectus: one to be used in connection with an offering by the Company and certain selling securityholders of 2,115,000 Units, each Unit consisting of one share of common stock ("Common Stock") and one class C redeemable common stock purchase warrant ("Warrants") (the "Prospectus"), and one to be used in connection with the sale of Units (each Unit consisting of one share of Common Stock and one Warrant), by certain selling stockholders (the "Selling Stockholder Prospectus"). The Prospectus and the Selling Stockholder Prospectus will be identical in all respects except for the alternate pages for the Selling Stockholder Prospectus included herein which are labeled "Alternate Page for Selling Stockholder Prospectus."

U.S. TRANSPORTATION SYSTEMS, INC.
CROSS REFERENCE SHEET
FOR PROSPECTUS UNDER FORM SB-2

<TABLE>
<CAPTION>

	Form SB-2 Item Number and Heading	Caption or Location in Prospectus
<S>	<C>	<C>
1.	Forepart of Registration Statement and Outside Front Cover of Prospectus.....	Cover Page; Cross Reference Sheet; Outside Front Cover Page of Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus	Inside Front and Outside Back Cover Pages of Prospectus
3.	Summary Information and Risk Factors	Prospectus Summary; Risk Factors
4.	Use of Proceeds	Prospectus Summary; Use of Proceeds
5.	Determination of Offering Price	Front Cover Page; Underwriting
6.	Dilution	Not Applicable
7.	Selling Security Holders	Concurrent Offering
8.	Plan of Distribution	Front Cover Page; Underwriting
9.	Legal Proceedings	Business -- Litigation
10.	Directors, Executive Officers, Promoters and Control Persons	Management
11.	Security Ownership of Certain Beneficial Owners and Management	Principal Stockholders
12.	Description of Securities	Description of Securities; Underwriting
13.	Interest of Named Experts and Counsel	Legal Matters
14.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities ..	Indemnification for Securities Act Liabilities
15.	Organization within Last Five Years	Not Applicable
16.	Description of Business	Business
17.	Management's Discussion and Analysis or Plan of Operation	Management's Discussion and Analysis of Financial Condition and Results of Operations
18.	Description of Property	Business - Property
19.	Certain Relationships and Related Transactions	Certain Transactions
20.	Market for Common Equity and Related Stockholder Matters	Market Prices of Common Stock; Shares Eligible for Future Sale
21.	Executive Compensation	Management -- Executive Compensation
22.	Financial Statements	Selected Consolidated Financial Data; Financial Statements
23.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not Applicable

</TABLE>

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

U.S. TRANSPORTATION SYSTEMS, INC.
 2,115,000 UNITS
 EACH UNIT CONSISTING OF ONE SHARE OF COMMON STOCK AND
 ONE REDEEMABLE CLASS C COMMON STOCK PURCHASE WARRANT

Each unit ("Unit") offered consists of one share of common stock, \$.01 par value ("Common Stock"), and one redeemable class C warrant ("Class C Warrants") of U.S. Transportation Systems, Inc. (the "Company"). Of the Units offered hereby, 2,000,000 Units will be offered by the Company and 115,000 Units will be offered for the account of certain security holders (the "Selling Securityholders"). The components of the Units will not be separately transferable until October 11, 1996, or sooner with the consent of First London Securities Corporation (the "Representative"). Each Class C Warrant entitles the holder to purchase one share of Common Stock at an exercise price of \$ (100% of the offering price of the Units), subject to adjustment, commencing October 11, 1996 until the third anniversary of the date of this Prospectus. The Class C Warrants are subject to redemption by the Company at a redemption price of \$.01 per Class C Warrant on 10 days' written notice, provided the closing bid price of the Common Stock has been at least \$ (135% of their exercise price), for 10 consecutive trading days ending within 3 days of the date of the notice of redemption. See "Description of Securities -- Class C Warrants." The offering price of the Units will be equal to no less than 90% of the bid price of the Common Stock at the effective time of the Registration Statement (the "Effective Time").

The Common Stock is currently traded on The Nasdaq SmallCap MarketSM ("Nasdaq") under the symbol USTS. On August 22, 1996, the closing high bid price of the Common Stock as reported by Nasdaq was \$.71875. At the Effective Time, the Company's outstanding shares of Common Stock will be reverse split on a one-for-six basis. Prior to this offering (the "Offering") there has been no public market for the Units or the Class C Warrants, and there can be no assurance that a market will develop for the Class C Warrants in the future, or that if developed, it will be sustained. The public offering price of the Units and the initial exercise price and other terms of the Class C Warrants offered hereby were determined by negotiation between the Company and the Underwriters, based upon a number of factors, including the market price of the Common Stock, and will not necessarily bear any direct relationship to the Company's assets, earnings, book value per share or other generally accepted criteria of value. See "Underwriting." The Company has applied for quotation of the Units and Class C Warrants on Nasdaq under the symbols "USTSU" and "USTSW," respectively. No approval has been received and no assurance can be given that such quotation or listing will occur.

THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK. PURCHASERS SHOULD CONSIDER CAREFULLY THE DISCUSSION UNDER "RISK FACTORS" BEGINNING ON PAGE 9.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
 <CAPTION>

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Company (2)	Proceeds to Selling Securityholders
<S>	<C>	<C>	<C>	<C>
Per Share	\$-----	\$-----	\$-----	\$-----
Total (3)	\$-----	\$-----	\$-----	\$-----

</TABLE>

(Footnotes on page 3)

The registration statement of which this Prospectus is a part covers the offering for resale by Selling Securityholders of 115,000 Units (the "Bridge Units"), including the 115,000 shares of Common Stock underlying the Class C

Warrants contained in the Bridge Units (together with the Bridge Units, the "Bridge Securities"). The Bridge Units will be issued at the Effective Date in connection with the Company's private placement in April 1996 (the "Bridge Financing"). Certain other stockholders are offering for sale an aggregate of 211,111 shares of Common Stock which they received in exchange for certain contract rights. Such shares, together with the Bridge Securities are collectively referred to herein as the "Selling Securityholder Securities."

The Units are offered on a firm commitment basis by the Underwriters when, as and if delivered to and accepted by the Underwriters, subject to prior sale, and certain other conditions. The Representative reserves the right to withdraw, cancel or modify the Offering without notice and to reject any order, in whole or in part. It is expected that delivery of the certificates representing the Common Stock and Class C Warrants will be made against payment therefor at the offices of First London Securities Corporation, Dallas, Texas on or about -----, 1996.

First London Securities Corporation

The date of this Prospectus is -----, 1996

- (1) Does not include additional compensation to the Underwriters consisting of (i) a non-accountable expense allowance equal to 2% of the gross proceeds of the Offering by the Company, or \$ _____ (\$ _____ if the over-allotment option is exercised in full), of which \$62,500 has been paid to date; (ii) an option to be sold to the Representative for nominal consideration to purchase up to 200,000 Units (the "Underwriters' Unit Purchase Option") at a per Unit price of 165% of the per Unit offering price, subject to adjustment, exercisable during the four-year period commencing one year from the Effective Date. In addition, the Company has agreed to indemnify the Underwriters against certain civil liabilities, including liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."
- (2) After deducting underwriting discounts and commissions, but before payment of the Underwriters' non-accountable expense allowance and other expenses of the Offering (estimated at \$300,000) payable by the Company. See "Underwriting."
- (3) The Company has granted the Underwriters an option, exercisable within 45 days after the Effective Date, to purchase up to 300,000 additional Units, upon the same terms and conditions set forth above, solely to cover over-allotments, if any (the "Over-Allotment Option"). If the Over-Allotment Option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions, and Proceeds to Company will be \$ _____, \$ _____ and \$ _____, respectively. See "Underwriting."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE UNITS, THE COMMON STOCK AND/OR THE CLASS C WARRANTS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN CONNECTION WITH THIS OFFERING, THE REPRESENTATIVES MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE UNITS, COMMON STOCK, CLASS C WARRANTS OR OTHER SECURITIES OF THE COMPANY ON NASDAQ IN ACCORDANCE WITH RULE 10b-6A UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SEE "UNDERWRITING."

3

U.S. TRANSPORTATION SYSTEMS, INC.

A multifaceted transportation and entertainment company specializing in the operation and management of transportation systems for private industry, municipalities and airports throughout the United States; the manufacture of sophisticated vehicle electrical components; and the design and manufacture of automotive airbag assembly and folding machines.

Automated Solutions, Inc. (Phoenix, AZ)

Patented machinery for airbag folding, testing and robotics for the automotive industry.

Jetport Express, Inc.
(Cincinnati International Airport)

Operates exclusive
round-the-clock shuttle service
at the airport, and
transportation to and from
various city and suburban
locations.

PROSPECTUS SUMMARY

The following summary information is qualified in its entirety by reference to the more detailed information, Consolidated Financial Statements and Notes appearing elsewhere in this Prospectus. Except as otherwise noted, all information in this Prospectus gives effect to (i) a one-for-five reverse stock split effected in January 1994; (ii) except for the Consolidated Financial Statements, a one-for-six reverse stock split to occur at the Effective Time; and (iii) an offering price of \$4.3125 per Unit, based upon the closing bid price of the Common Stock on August 22, 1996, but assumes no exercise of (i) the Class C Warrants; (ii) the Over-Allotment Option; (iii) the Underwriters' Unit Purchase Option; (iv) warrants issued in connection with the Company's public offering in February 1995; or (v) other outstanding options and warrants. See "Capitalization," "Certain Transactions," "Description of Securities" and "Underwriting."

THE COMPANY

U.S. Transportation Systems, Inc., a Nevada corporation (the "Company"), is currently primarily engaged in three business areas: (i) manufacturing transportation machinery and equipment; (ii) providing transportation related services; and (iii) providing entertainment services. The Company's manufacturing division includes (a) Automated Solutions, Inc. ("ASI"), which designs, manufactures and markets patented machinery which folds and tests airbags and assembles airbag modules, for installation in passenger and utility vehicles, and (b) American Trade-A-Bus of Texas, Inc. ("ATAB"), which manufactures certain vehicle components (such as electrical wiring harnesses) as a sub-contractor to a contractor of the United States Department of Defense and provides related engineering services. The Company's transportation related services consist of (a) providing over-the-road package delivery services for air freight carriers doing business in Florida provided under the names Armstrong Freight Service ("Armstrong"), and Trans Lynx Express, Inc. ("Trans Lynx"); (b) providing bus and other motor vehicle transportation services to businesses and municipalities on a contract basis in various states, and (c) operating a fleet of company-owned and privately-owned taxi cabs in Toledo and Lima, Ohio and a car service based in Westchester County, New York. The Company's entertainment division consists of five ticket brokerage agencies which sell tickets for theatrical, sports and other entertainment events, including packaged tours of New York City. During the year ended December 31, 1995 and the six months ended June 30, 1996, manufacturing operations accounted for approximately 30% and 37%, respectively, transportation services accounted for approximately 54% and 54%, respectively, and entertainment services accounted for approximately 16% and 9%, respectively, of total revenues. During such periods, manufacturing operations, transportation services and entertainment services accounted for approximately 80% and 40%, 17% and 66% and 3% and (6%), respectively, of income (loss) from operations.

The Company commenced operations in 1979. Through 1993, the Company was engaged to a material extent in the charter bus and line run (scheduled routes between two or more destinations) business. As a result of government deregulation of the industry in the mid 1980s, the Company's charter bus operations began to experience increased competition and decreasing profitability. In 1993, the Company determined that it would discontinue this segment of its business. The Company completed the cessation of its charter bus operations in 1995. In addition, in 1992, as a result of increased competition, the Company discontinued a passenger line run business it had operated between the New York metropolitan area and the Atlantic City casinos. The discontinuance of the charter bus and passenger line run operations created substantial fluctuations in the Company's revenues and resulted in substantial losses to the Company; however, the Company believed that pursuing a strategy of discontinuing unprofitable operations and expanding operations in other segments of the transportation industry would maximize its potential for increased profitability and growth.

In furtherance of this strategy, the Company made several acquisitions during recent years, the most significant of which were the Company's acquisitions of ATAB in October 1994 and ASI in November

4

1995. In February 1996, the Company acquired certain assets, including contract rights, from Krogel Air Freight, Inc. and Krogel Freight Systems of Tampa, Inc. (collectively, "Krogel"), entities engaged in the package and freight delivery service business in Tampa, Orlando and Jacksonville, Florida. In June 1996, the Company acquired certain assets, primarily trucking equipment, from Jackson and Johnson, Inc. ("J and J"), a full-load trucking operation located in Syracuse, New York.

The Company's strategy is to pursue growth through acquisitions and expansion of its current operations, in particular:

- o Expansion of ASI. The Company believes that demand for ASI's products will grow as governmental regulations increase the demand for driver and passenger-side airbags. The Company intends to use a portion of the proceeds of the Offering to relocate ASI to a larger facility and substantially expand production capacity.
- o Expansion of Armstrong. The Company will seek to expand Armstrong's package and freight delivery services to other locations in Florida and surrounding states.
- o New Transportation Contracts. The Company will seek to procure new transportation contracts to be performed by the Company's existing transportation services locations.
- o Strategic Acquisitions. The Company continues to seek the acquisition of companies engaged in businesses related to or synergistic with the Company's current operations.

The Company was incorporated in Nevada on February 6, 1979 under the name Holland Industries, Inc. The Company changed its name to U.S. Transportation Systems, Inc. in September 1990. The executive offices and all operational activities of the Company and its subsidiaries are directed from its headquarters located at 33 West Main Street, Elmsford, New York. The Company's telephone number at that address is (914) 345-3339.

5

THE OFFERING

Securities Offered by the

Company..... 2,000,000 Units, each consisting of one share of Common Stock and one Class C Warrant. Each Class C Warrant entitles the holder thereof to purchase one share of Common Stock at a price of \$_____ (100% of the offering price of the Units) per share (the "Exercise Price"), subject to adjustment in certain circumstances, during the three year period commencing on September 27, 1996. The Class C Warrants are subject to redemption in certain circumstances. See "Description of Securities -- Class C Warrants."

Securities Offered Concurrently by Selling Securityholders ..

115,000 Units (including 115,000 shares of Common Stock underlying the Class C Warrants contained in such Units) in the Offering and 211,000 shares of Common Stock in the Concurrent Offering.

Common Stock Outstanding:

Prior to the Offering (1) 3,460,702 shares of Common Stock

After the Offering 5,460,702 shares of Common Stock

Class C Warrants Outstanding:

Prior to the Offering (2) 115,000 Class C Warrants
 After the Offering 2,115,000 Class C Warrants

Use of Proceeds The Company intends to use the net proceeds of the Offering for repayment of certain indebtedness, including \$1,200,000 principal amount of promissory notes (the "Bridge Notes") issued in the Bridge Financing, for working capital, and to finance expansion of its existing businesses and potential acquisitions. See "Use of Proceeds."

Risk Factors..... The securities offered hereby involve a high degree of risk. See "Risk Factors."

Nasdaq Trading Symbols:

Units (proposed)..... USTSU

Common Stock USTS

Class C Warrants (proposed).... USTSW

(1) Includes 115,000 shares included in the Bridge Units issuable upon the Effective Date in connection with the Bridge Financing. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Concurrent Offering."

(2) Consists of 115,000 Class C Warrants included in the Bridge Units issuable upon the closing date of the Offering in connection with the Bridge Financing.

SUMMARY CONSOLIDATED FINANCIAL, PRO FORMA AND OPERATING DATA INFORMATION

<TABLE>
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	Year Ended December 31,		Six Months Ended June 30,	
	1994	1995	1995	1996
<S>	<C>	<C>	<C>	<C>
Statement of Operations Data:				
Revenues	\$ 11,818,325	\$17,350,973	\$ 7,086,473	\$13,718,768
Expenses	11,074,785	15,820,228	6,478,661	12,775,519
Operating Income	743,540	1,530,745	607,812	943,249
Other Expenses	(48,866)	(603,628)	(202,840)	(108,766)
Income from Continuing Operations				
Before Income Taxes	694,674	927,117	404,972	834,483
Income Tax (Benefit)	(63,811)	(364,000)	--	--
Income from Continuing Operations .	758,485	1,291,117	404,972	834,843
Discontinued Operations	(853,480)	(167,199)	--	--
Net Income (Loss)	(94,995)	1,123,918	404,972	834,843
Preferred Dividend	--	191,700	95,850	95,850
Net Income (Loss) Applicable to Common Stockholders	\$ (94,995)	\$ 932,218	\$ 309,122	\$ 738,633
Net Income (Loss) Per Common Share:				
Income from Continuing Operations .	\$.11	\$.10	\$.05	\$.04
Discontinued Operations	(.12)	(.01)	--	--
Earnings (Loss) Per Common Share	\$ (.01)	\$.09	\$.05	\$.04

</TABLE>

PRO FORMA STATEMENT OF OPERATIONS DATA (UNAUDITED):

The following unaudited pro forma statements of operation data do not purport to be indicative of the results of operations that would have occurred if the Company had acquired ASI, Armstrong, and J and J at the beginning of the periods presented.

<TABLE>
<CAPTION>

	Year Ended December 31, 1994	Year Ended December 31, 1995
	(in thousands)	
<S>	<C>	<C>
Revenues	\$ 32,807	\$ 34,817
Expenses		
Cost of sales	\$ 7,197	\$ 8,412
Operating Expenses	\$ 26,693	\$ 26,394
Total Expenses	\$ 33,890	\$ 34,806
Net Income (Loss)	\$ (1,083)	\$ 11
Earnings (Loss) per Share .	\$ (0.11)	\$ 0.00

</TABLE>

The pro forma adjustments included above consist of:

<TABLE>
<CAPTION>

	Year Ended December 31, 1994	Year Ended December 31, 1995
<S>	<C>	<C>
Amortization of Goodwill	\$ (545)	\$ (545)
Amortization of Covenant	(15)	(15)
Interest Expense	(270)	(270)
Productive efficiency obtained through adequate capitalization(1)	100	1,800
Elimination of duplicative administrative functions(1)	200	500
Total	\$ (530)	\$ 1,470

</TABLE>

(1) Savings amounts estimated by management. There can be no assurance of the actual amount of savings, if any.

7

<TABLE>
<CAPTION>

	December 31, 1995	June 30, 1996	
		Actual	As Adjusted(1) (2)
<S>	<C>	<C>	<C>
Balance Sheet Data:			
Working Capital	\$ 1,416,261	\$ 748,856	\$ 6,963,106
Total Assets	20,886,491	27,066,768	32,501,018
Long-Term Debt, Net of Current Maturities	3,245,567	3,243,304	2,643,304
Stockholders' Equity	11,278,257	15,320,892	22,135,142

</TABLE>

(1) Gives effect to the sale of the Units offered hereby, the receipt of the net proceeds therefrom and the use of a portion of the net proceeds to repay the Bridge Notes and other debt and gives effect to the recognition upon the repayment of the Bridge Notes of approximately \$560,000 of charges relating to the debt discount and debt issuance costs associated with the Bridge Financing.

(2) Does not give effect to (i) the issuance of 119,444 shares of Common Stock in connection with a covenant not-to-compete, and (ii) the issuance of 56,500 shares of Common Stock to Argent Securities, Inc. ("Argent") upon the exercise of outstanding options. See "Management's Discussion

RISK FACTORS

The securities offered hereby are highly speculative and should be purchased only by persons who can afford to lose their entire investment in the Company. Each prospective investor should carefully consider the following risk factors, as well as all other information set forth elsewhere in this Prospectus.

Recent Losses; Fluctuations in Operating Results; Accumulated Deficit. Between 1992 and 1995, the Company discontinued a substantial portion of its transportation service business, specifically its charter bus and passenger line run operations. During the same period, the Company continued to make acquisitions in an effort to expand those areas of its business with potential for growth and profitability. The discontinued operations resulted in substantial losses to the Company. They have also resulted in the Company experiencing significant fluctuations in revenues and, along with diminishing margins in certain aspects of its ongoing transportation service business, in net operating results in recent years. At June 30, 1996, the Company had an accumulated deficit of approximately \$5,913,000. Although the Company operated profitably during the year ended December 31, 1995 and the six months ended June 30, 1996, the majority of its profits were derived from the operations of its manufacturing segment. Immediately prior to its acquisition by the Company in November 1995, ASI had experienced declining revenues and generated losses. Although the Company believes it has addressed the working capital problems at ASI which led to such results, there can be no assurance that ASI or the Company will continue to operate profitably, that any future acquisitions will be successful or that the Company will experience any substantial growth. See "Management's Discussion and Analysis of Financial Condition and Result of Operations."

Charges Arising From Acquisitions and Bridge Financing. As part of the acquisition of certain businesses acquired by the Company, the Company will incur continuing amortization charges associated with assets of the acquired companies or may be required to charge-off certain assets. Either of the foregoing charges will result in a direct reduction of the net income of the Company. In connection with the acquisition of ASI, the Company incurred charges for the year ended December 31, 1995 and the six months ended June 30, 1996 of approximately \$62,500 and \$247,000, respectively. Such "non-cash" charges which may be incurred in connection with future acquisitions may have an adverse effect on the Company's net income in future periods. In addition, upon completion of the Offering and repayment of the Bridge Notes the Company will recognize a charge to operations of approximately \$560,000 representing the unamortized portion of the debt discount and issuance costs relating to the Bridge Financing. Consequently, it is likely that the Company will report a net loss during the quarter in which the Offering is consummated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risk of Acquisitions. Throughout its history, the Company has pursued a practice of expansion through acquisition of the stock or assets of existing companies. In the past certain of the Company's acquisitions proved to be unsuccessful and were subsequently discontinued. Others have resulted in a financial burden to the Company which substantially exceeded the Company's expectations. The Company intends to continue to make acquisitions in the future if opportunities arise. Such acquisitions generally entail a material risk to the Company's financial condition, as the Company will generally commit some portion of its resources to stabilizing and building the acquired entity. Until the Company has operated the new entity for some period of time, the entity's potential for profitability and the amount of the Company's financial resources which will be required by the new entity are largely matters of speculation. Since October 1994, the Company has made a number of significant acquisitions, including among others, ATAB, Armstrong, ASI, Krogel and certain assets of J and J. Should one or more of these acquisitions fail to meet the Company's expectations, the failure could have a material adverse effect on the Company's financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

Dependence on Major Customers; Loss of Material Contracts. During the years ended December 31, 1994 and 1995 and the six months ended June 30, 1996, several customers each accounted for in excess of 10% of the Company's total revenues. During 1994 services provided to the Ford Motor Company ("Ford") accounted for 19% of total revenues. During 1995, services provided to Ford and Stewart & Stevenson, Inc. ("S&S," ATAB's sole customer) accounted for approximately 14% and 24% of total revenues, respectively.

The loss of material contracts has historically had an adverse impact on the Company's results of operations. The current contracts with Ford and S&S expire in June 1998 and September 1996, respectively.

9

The Company is currently negotiating with S & S for a renewal of the contract and expects that such renewal will be obtained. Furthermore, certain of the Company's subsidiaries, in addition to ATAB and ASI, are dependent upon a single customer. The loss of either the Ford or S&S contracts or the loss of other key customers would have a material adverse effect on the Company's financial condition and results of operations. See "Business."

Competition. The Company and its subsidiaries compete with many firms that offer similar products and services some of which have substantially larger facilities, personnel, financial and other resources than those of the Company. Transportation service contracts, a primary source of the Company's revenues, are generally awarded on a competitive bid basis. In bidding for future contracts, the Company will be competing with many other firms. See "Business."

Further, as regards ASI, there can be no assurance that other companies may not develop superior airbag folding equipment to compete with ASI. In addition, there are companies which produce other airbag module assembly machines. Some of these companies have substantially greater financial and other resources than those of the Company. See "Business -- Competition."

Dependence on Patents and Proprietary Technology. During the six months ended June 30, 1996, a substantial portion (approximately 25%) of the Company's revenues were derived from the operations of ASI. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company's success, therefore, may depend, in part, on its ability to maintain patent protection for ASI's products and manufacturing processes and to preserve such subsidiary's trade secrets. As of the date hereof, the Company has six patents relating to ASI's technology. There can be no assurance that others have not independently developed, or will not independently develop, similar products and technologies or otherwise duplicate any of ASI's products and technologies. In April 1996, the Company commenced a legal action against a third party alleging infringement of ASI's patented airbag folding technology. See "Business -- Legal Proceedings."

There can be no assurance that the validity of any patent issued to the Company would be upheld if challenged by others in litigation or that the Company's activities would not infringe patents owned by others. The Company could incur substantial costs in defending itself in suits brought against it, or in suits in which the Company seeks to enforce its patent rights against others. In addition, the Company may be required to obtain licenses to patents or other proprietary rights of third parties in connection with the development and use of its products and technologies. No assurance can be given that any such licenses required would be made available on terms acceptable to the Company, or at all.

Bidding for Contracts. A majority of the Company's revenues are obtained from services performed under contract to government authorities and private corporations. Most of these contracts are obtained by participating in a competitive bidding process. In order to formulate a bid for a contract, the Company must make estimates of a great number of variables, including local labor costs, local fuel costs, expected wear and tear on vehicles, and ridership. If the Company materially underestimates its anticipated expenses, it may win the bidding but find itself in a situation where performance under the contract will result in a loss. If the Company materially overestimates its anticipated expenses, a competitor is likely to win the bidding. The Company has at times failed to maintain contracts because it was forced to increase its bid due to increased costs relating to performance of the contract or was otherwise underbid. There can be no assurance that the Company will not lose additional contracts in the bidding process which may have a material adverse effect on the Company's business. See "Business -- Business Development."

Possible Working Capital Shortages of ASI. A substantial portion of ASI's revenues are not billable or otherwise received until completion of its contracts. ASI's contracts may last for up to 26 weeks and require millions of dollars of working capital. If the Company did not have the liquidity or credit availability to make these expenditures, it would not be able to properly complete existing contracts nor would it be in a position to successfully bid new contracts. In such a situation, the Company's ability to replace lost contracts or expand by obtaining new contracts would likely be significantly damaged. Prior to the Company's acquisition of ASI, working capital shortages resulted in substantial losses for ASI. There can be no

assurance that if ASI experiences substantial growth the Company would have sufficient capital or credit to fund continuing operations. See "Business."

Need for Additional Financing. The Company believes that the proceeds of the Offering will be sufficient to finance the Company's working capital requirements for a period of at least 12 months following the completion of the Offering. The continued expansion and operation of the Company's business beyond such 12 month period and its ability to make acquisitions may be dependent upon its ability to obtain additional financing. The Company has no commitments for any future financing and there can be no assurance that additional financing from either debt or equity financing, bank loans or other sources will be available on terms acceptable to the Company, or at all. If available, any additional equity financings may be dilutive to the Company's stockholders and any debt financing may contain restrictive covenants and additional debt service requirements which could adversely affect the Company's operating results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Dependence on Oil. Generally about 6% of the Company's expenses are paid for oil-related products, principally diesel fuel. An increase in the price of fuel at the pump, either because of increased oil prices or increased taxes, may have a significant negative effect on the results of the Company's operations. Accordingly, volatility in oil prices presents an ever-present risk to the Company's business.

Dependence on Present Management. The Company has only three officers. The success of the Company is dependent upon the services of its officers: Michael Margolies, Chairman of the Board, Chief Executive Officer and President, Terry A. Watkins, CPA, Executive Vice President, Chief Financial Officer and Secretary, and Ronald P. Sorci, Treasurer and Controller. The Company does not carry key man insurance on these officers, nor are there any contracts retaining their services for a term (except with respect to Mr. Sorci). The Company intends to seek other qualified persons to augment its current management. There is no assurance that the Company will be able to locate and retain qualified persons to replace any member of management or to expand its current management. In addition to the foregoing, the Company's operations are located in diverse geographical locations throughout the United States further taxing the limited number of members of the Company's management team. The prolonged unavailability of any current member of senior management, whether as a result of death, disability or otherwise, could have an adverse effect upon the business of the Company. See "Management."

Liability Insurance Coverage. From time to time, the transportation industry has encountered severe problems in obtaining liability insurance to cover the risk of loss arising from personal injury and property damage claims. The Company is insured under liability policies which cover the annual period from June 9 through June 8. The cost of this insurance for the 1996-1997 year will be approximately \$365,000, which includes comprehensive automobile and general liability coverage of \$5 million per occurrence. The Company has insurance coverage for all of its transportation services; however, such coverage is subject to certain standard exclusions including, but not limited to fines, penalties, exemplary or punitive damages or any other type or kind of judgment or award which does not compensate the party benefitting from the award or judgment for any actual loss or damage sustained. There is no assurance that such liability coverage is sufficient or that it will be available in the future, or if available, at rates that will permit the Company to operate profitably. The Company has always operated with full liability insurance coverage, and in the absence of such coverage would not be permitted to operate as a common carrier. See "Business -- Insurance."

Effect of Issuance of Shares on Net Operating Loss Carryforwards. At December 31, 1995, for federal income tax purposes, the Company had net operating loss ("NOL") carryforwards of approximately \$11,200,000 (due to expire commencing in 2002 through 2009) and general business credit carryforwards of approximately \$647,000 (due to expire commencing in 1996 through 2000), which, absent an "ownership change" as described below, would generally be available to offset any future taxable income and tax liability, respectively, of the Company. The Company believes it may have experienced an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended, (the "Code"), as a result of various stock transactions in which it has engaged through 1995. If such "ownership change" occurred, the Company does not expect to be able to utilize its full NOL and tax credit carryforwards to offset future tax liability. The Company believes that it will then only be able to use approximately \$800,000 of its current NOL per year. The limitation of the Company's NOL carryforwards may have a materially adverse effect on the Company's net income and cash flow, should the Company's pre-tax income increase in future years. See "Management's

Related Party Transactions. At numerous times throughout its history, the Company has relied upon the financial resources of its three directors (Michael Margolies, Jay Owen Margolies and Thomas Wegerbauer) to facilitate certain corporate transactions and, on occasion, to provide working capital. Also, at various times, Mr. Margolies or his affiliates have made loans to the Company, of which \$688,916 is outstanding at June 30, 1996. In December 1994, the Company acquired a corporation owned by members of the Margolies family in exchange for 180,000 shares of Series C Preferred Stock, which has the voting rights of 600,000 shares of Common Stock. The Company believes that all of these transactions have been made on terms which were equal to or more favorable to the Company than terms which might have been available in arms-length transactions. The Company may borrow funds in the future from management when needed in connection with acquisitions and other major transactions. From time to time, moreover, Mr. Margolies may be called upon to provide his personal guarantee of one or more of the Company's obligations. If it appears to the Board of Directors that Mr. Margolies should be compensated for providing such a guarantee, the Company may do so. See "Certain Transactions."

Broad Discretion in Application of Proceeds; Absence of Substantive Disclosure Relating to Acquisitions. Approximately \$4,556,250 (62%) of the net proceeds of the Offering has been allocated to working capital and general corporate purposes, including future (as yet unidentified) acquisitions and for expansion of current operations. Although management of the Company will endeavor to evaluate the risks inherent in any particular expenditure, there can be no assurance that the Company will properly ascertain all such risks. Management of the Company will have virtually unrestricted flexibility in identifying and selecting prospective acquisition candidates. The Company does not intend to seek stockholder approval for any acquisitions unless required by applicable law or regulations and stockholders will most likely not have an opportunity to review financial information on an acquisition candidate prior to consummation of an acquisition. Thus, purchasers of the Units will be entrusting their funds to the Company's management, upon whose judgment the investors must depend, with only limited information concerning management's specific intentions. The Company does not currently have any agreements, commitments or arrangements with respect to any proposed acquisitions and there can be no assurance that any acquisitions will be consummated.

Limited Stockholder Control of Management. The Company became a public company in 1986. Since that time the Company has never held an annual meeting of its stockholders, and the stockholders have not voted for the election of directors. The Company may hold annual meetings of stockholders or other meetings for the election of directors in the future, but has not yet determined if or when it will do so. Nevada law does not require that the Company hold annual meetings of stockholders, and provides that directors continue to hold office until successors are elected, even after their terms of office have expired. The directors of the Company could, therefore, hold office permanently without the consent of the Company's stockholders. Moreover, the current officers and directors of the Company and their families own shares representing 14.5% of the voting power in the Company assuming completion of the Offering. Therefore, even if a meeting of the stockholders were held, the directors would likely be in a position to re-elect themselves. See "Principal Stockholders."

The Nevada General Corporation Law does provide that if a corporation has not elected directors during a period of 18 months, stockholders possessing 15% of the corporation's voting power may commence action in the courts of Nevada to obtain an order that an election be held. In order to exercise this right, stockholders of the Company who possess 15% of the outstanding common stock would be required to file a petition in the District Court of the State of Nevada for Carson County. They would then be directed by the Court as to how notice of the petition should be given to the Company and its stockholders.

Government Regulation; No Assurance of Compliance. The Company's manufacturing facilities are subject to regulation and inspection standards established by the Occupational Safety and Health Administration ("OSHA"). To date, the Company's manufacturing facilities have not been inspected for compliance with the standards established by OSHA. Although the Company believes that it is in material compliance with current standards, there can be no assurance that any inspection will not reveal that the Company has failed to comply with the standards established by OSHA and that, as a result, the Company may be required to expend sums, which can be substantial,

to assure compliance with OSHA regulations.

The Company's transportation operations are subject to regulation by various agencies including the New York State Department of Transportation, the Port Authority of New York and New Jersey, the U.S.

12

Department of Transportation and the Federal Highway Administration, as well as local authorities. Each of these regulates various aspects of licensing, permitting and operations of the Company's package delivery and bus services. Although none of such regulations presently impose great burdens upon the operation of the Company, such regulations are subject to constant change. Unforeseen changes in such regulations may have a significant impact on the Company, as they have in the past in connection with the deregulation of bus services. See "Business -- Government Regulation."

Shares Eligible for Future Sale; Market Overhang from Outstanding Options. Future sales of Common Stock by existing stockholders pursuant to Rule 144 under the Securities Act, pursuant to the Concurrent Offering or otherwise, could have an adverse effect on the price of the Company's securities. Pursuant to the Concurrent Offering, 211,111 shares of Common Stock have been registered for resale concurrently with the Offering. In addition, the Company issued Argent, the underwriter of the Company's February 1995 public offering, a warrant to purchase an aggregate of 48,167 shares of Common Stock underlying such warrant and other options and warrants to purchase 8,333 shares of Common Stock. As of June 30, 1996, the Company had outstanding 3,226,258 shares of Common Stock, of which 2,559,088 of such shares are freely transferable without restriction or further registration under the Securities Act and 667,170 shares are "restricted securities," as such term is defined under the Securities Act. Warrants and options to purchase an aggregate of 155,663 shares of Common Stock at prices ranging from \$5.76 per share to \$12.00 are also outstanding. For the "restricted securities," under Rule 144, if certain conditions are met, persons who satisfy a two year "holding period" may sell within any three-month period a number of such shares which does not exceed the greater of one percent of the total number shares outstanding or the average weekly trading volume of such shares during the four calendar weeks prior to such sale. After a three-year holding period is satisfied, persons who are not "affiliates" of the issuer of the securities are permitted to sell such shares without regard to these volume restrictions.

No prediction can be made as to the effect, if any, that sales of shares of Common Stock or the availability of such shares for sale will have on the market prices of the Company's securities prevailing from time to time. The possibility exists that the distribution of substantial amounts of currently restricted shares or newly issued shares of Common Stock into the public market may adversely affect prevailing market prices for the Common Stock and could impair the Company's ability to raise capital in the future through the sale of equity securities.

Lack of Market; Possible Volatility of Stock Price; Arbitrary Determination of Offering Price. Prior to the Offering, there has been no public market for the Units or the Class C Warrants, and there can be no assurance that an active market will develop or be sustained. In the absence of an active public trading market, an investor may be unable to liquidate his or her investment. The offering price of the Units and the exercise price and other terms of the Class C Warrants were determined by negotiations between the Company and the Underwriters and are not necessarily related to the Company's assets, earnings, book value per share, its results of operations or any other generally accepted criteria of value and should not be construed as indicative of their value. See "Underwriting."

The stock market has, from time to time, experienced significant price and volume fluctuations that may be unrelated to the operating performance of any particular company. Various factors and events, including future announcements of new service offerings by the Company or its competitors, developments or disputes concerning, among other things, regulatory developments in the United States, and economic and other external factors, as well as fluctuations in the Company's financial results, could have a significant impact on the market price of the Company's securities.

Nasdaq Eligibility and Maintenance Requirements; Possible Delisting of Securities from The Nasdaq Stock Market; Risks of Low-Priced Stocks. The Company has applied for listing of the Units and Class C Warrants on Nasdaq, where the Common Stock presently trades, at the Effective Time. For continued listing, a company, among other things, must have \$2,000,000 in assets, \$1,000,000 in equity and a minimum bid price of \$1.00 per share

(absent a net worth of \$2,000,000). If the Company is unable to satisfy Nasdaq's maintenance criteria in the future, its securities may be delisted from Nasdaq. In such event, the Company's securities would thereafter be conducted in the over-the-counter market in the "pink sheets" or the National Association of Securities Dealers Inc.'s ("NASD") "Electronic Bulletin Board." As a consequence of such delisting, an investor would likely find it more difficult to dispose of, or to obtain quotations as to, the price of the Company's securities.

13

Penny Stock Regulation. In the event that the Company is unable to satisfy Nasdaq's maintenance requirements, trading would be conducted in the "pink sheets" or the NASD's Electronic Bulletin Board. In the absence of the Common Stock being quoted on Nasdaq, or the Company having \$2,000,000 in net tangible assets, trading in the Common Stock would be covered by Rules 15g-1 through 15g-6 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") for non-Nasdaq and non-exchange listed securities. Under such rules, broker/dealers who recommend such securities to persons other than established customers and accredited investors must make a special written suitability determination for the purchaser and receive the purchaser's written agreement to a transaction prior to sale. Securities also are exempt from these rules if the market price is at least \$5.00 per share.

The SEC adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions (such exceptions including an equity security listed on Nasdaq and an equity security issued by an issuer that has (i) net tangible assets of at least \$2,000,000, if such issuer has been in continuous operation for three years, (ii) net tangible assets of at least \$5,000,000, if such issuer has been in continuous operation for less than three years, or (iii) average revenue of at least \$6,000,000 for the preceding three years). Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

If the Common Stock was subject to the regulations on penny stocks, the market liquidity for the Common Stock could be severely affected by limiting the ability of broker/dealers to sell the Common Stock and ability of purchasers in the Offering to sell their securities in the secondary market. There is no assurance that trading in the Company's securities will not be subject to these or other regulations that would adversely affect the market for such securities.

Potential Adverse Effect of Redemption of Class C Warrants. The Class C Warrants are redeemable, in whole or in part, at a price of \$.01 per Warrant, commencing on the Effective Date, upon not less than 10 days prior notice if the closing high bid price on Nasdaq, or the last sale price if traded on a national exchange, per share of Common Stock on each of the 10 consecutive trading days ending within 3 days prior to the date on which the Company gives notice of redemption has been at least 135% of the exercise price of the Class C Warrants. Notice of redemption of the Class C Warrants could force the holders to (i) exercise the Warrants and pay the exercise price at a time when it may be disadvantageous for them to do so; (ii) sell the Class C Warrants at the current market price when they might otherwise wish to hold them; or (iii) accept the nominal redemption price, which is likely to be substantially less than the market value of the Class C Warrants at the time of redemption. See "Description of Securities -- Class C Warrants."

Current Prospectus and State Blue Sky Registration Required to Exercise Class C Warrants. Holders of the Class C Warrants will have the right to exercise the Class C Warrants for the purchase of shares of Common Stock only if a current prospectus relating to such shares is then in effect and only if the shares are qualified for sale under the securities laws of the applicable state or states. The Company has undertaken and intends to file and keep effective and current a prospectus which will permit the purchase and sale of the Common Stock underlying the Class C Warrants, but there can be no assurance that the Company will be able to do so. Although the Company intends to seek to qualify for sale the shares of Common Stock underlying the Class C Warrants in those states in which the securities are to be offered, no assurance can be given that such qualification will occur. In addition, purchasers may buy Class C Warrants in the after-market or may move to jurisdictions in which the Class C Warrants and the Common Stock underlying the Class C Warrants are not so registered or qualified or exempt. In this event, the Company would be unable lawfully to issue Common Stock to those persons desiring to exercise their Class C Warrants (and the Class C Warrants will not be exercisable by those persons) unless and until the Class C Warrants and the underlying Common Stock are registered or qualified for sale in jurisdictions in which such purchasers reside, or an exemption from such registration or qualification requirements exists in such jurisdictions. The

Class C Warrants may lose or be of no value if a prospectus covering the shares issuable upon the exercise thereof is not kept current or if such underlying shares are not, or cannot be, registered in the applicable states. See "Description of Securities -- Class C Warrants."

Effect of Outstanding Options and Warrants; Exercise of Registration Rights. Upon completion of the Offering, the Company will have outstanding (i) Class C Warrants to purchase 2,115,000 shares of Common

14

Stock; (ii) the Underwriters' Unit Purchase Option to purchase an aggregate of 400,000 shares of Common Stock, assuming exercise of the underlying Class C Warrants; (iii) a warrant, held by Argent, the underwriter of the Company's February 1995 public offering, exercisable to purchase an aggregate of 48,167 shares of Common Stock assuming conversion of the Series A Preferred Stock underlying such warrant and the exercise of the Class A and Class B Warrants contained in such underwriter's warrant; (iv) other options and warrants held by Argent to purchase an aggregate of 8,333 shares of Common Stock; and (v) Class A and Class B Warrants to purchase an aggregate of 56,665 shares of Common Stock. Holders of such options and warrants are likely to exercise them when, in all likelihood, the Company could obtain additional capital on terms more favorable than those provided by such options and warrants. Further, while such options and warrants are outstanding, the Company's ability to obtain additional equity financing on favorable terms may be adversely affected. The holders of the Underwriters' Unit Purchase Option and the options and warrants issued to Argent have certain demand and "piggy-back" registration rights with respect to their securities. Exercise of such rights could involve substantial expense to the Company. See "Certain Transactions," "Shares Eligible for Future Sale" and "Underwriting."

Lack of Dividends. The Company has never paid and does not plan to pay in the foreseeable future any dividends on its Common Stock. It is currently anticipated that earnings, if any, will be used to finance the development and expansion of the Company's business.

Indemnification of Certain Potential Claims. In July 1996, the Company entered into an employment and non-competition agreement with Ronald P. Sorci to serve as the Company's treasurer and controller (the "Sorci Agreement"). Mr. Sorci had previously been engaged in the operation of RPS Executive Limousines Ltd. ("RPS"). As part of the Sorci Agreement, the Company agreed to indemnify Mr. Sorci for any liability or expense he may incur arising from certain potential tax liabilities, leases or debts of RPS. The Company may become liable in the future for such liabilities, the amount of which cannot be ascertained at this time. See "Management -- Employment Agreements."

Possible Adverse Effect of Issuance of Preferred Stock. The Company's Certificate of Incorporation authorizes the issuance of 10,000,000 shares of "blank check" Preferred Stock, with designations, rights and preferences determined from time to time by the Board. As a result of the foregoing, the Board is empowered, without further stockholder approval, to issue Preferred Stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of the Common Stock. In the event of issuance, the Preferred Stock could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company, even if a change of control was in the best interest of the Company's stockholders. Although the Company has no plans to issue any additional shares of Preferred Stock, there can be no assurance that the Company will not issue Preferred Stock at some time in the future. See "Description of Securities -- Preferred Stock."

Possible Limitations on Market Making Activities in the Company's Securities. The Company has been advised that the Underwriters intend to make a market in the Company's securities. Rule 10b-6 under the Exchange Act may prohibit such firms from engaging in any market-making activities with regard to the Company's securities for the period from the nine business days (or such other applicable "cooling off" period as Rule 10b-6 may provide) prior to any solicitation by the Underwriters of the exercise of Class C Warrants until the later of termination of such solicitation activity or the termination (by waiver or otherwise) of any rights that the Underwriters may have to receive a fee for the exercise of Class C Warrants following such solicitation. As a result, the Underwriters may be unable to provide a market for the Company's securities during certain periods while the Class C Warrants are exercisable. In addition, under applicable rules and regulations under the Exchange Act any person engaged in the distribution of the Selling Securityholder Securities may not simultaneously engage in market-making

activities with respect to any securities of the Company for the applicable "cooling off" period prior to the commencement of such distribution. Accordingly, in the event that the Underwriters are engaged in a distribution of the Selling Securityholder Securities, neither of such firms will be able to make a market in the Company's securities during the applicable restrictive period. Any temporary cessation of such market-making activities could have an adverse effect on the market price of the Company's securities. See "Underwriting."

15

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Units offered hereby, after deducting underwriting discounts and commissions and other expenses of the Offering payable by the Company, are estimated to be \$7,376,250 (\$8,527,688 if the Over-Allotment Option is exercised in full).

The Company has allocated (i) \$1,220,000 to repay principal and accrued interest on the Bridge Notes issued in the Bridge Financing (the proceeds of which were used for working capital) and (ii) \$600,000 to repay certain high interest loans. The Bridge Notes, which bear interest at the rate of 5% per annum, are due on the earlier of the closing of this Offering or November 1996.

The Company intends to use the balance of the net proceeds from the Offering for working capital and strategic acquisitions. Part of the Company's business strategy is to continue its growth through one or more acquisitions, although the Company has not, to date, identified any particular company to acquire. The Company continues to negotiate with and conduct due diligence reviews with respect to potential acquisition candidates, although no such acquisition is probable as of the date hereof. To the extent that such identification is made in the future, a portion of the net proceeds may be utilized for the purchase price, necessary equipment and working capital for such acquisition(s). In addition, working capital will be needed for (i) future expansion of ASI as governmental regulations increase the demand for driver and passenger-side airbags; (ii) expansion of the Armstrong package and freight delivery services to other locations; and (iii) the procurement of new transportation contracts to be performed by the Company's existing transportation services providers. The Company expects that approximately \$750,000 of the net proceeds of the Offering will be used for the cost of enlarged building facilities for Armstrong and \$250,000 will be used for the cost of relocating ASI to larger facilities in Phoenix, Arizona.

Any additional proceeds from the exercise of the Over-Allotment Option, the Class C Warrants or the Underwriters' Unit Purchase Option will be used for general corporate purposes.

The foregoing represents the Company's best estimates of the anticipated use of the net proceeds of the Company based upon its present plans and certain assumptions regarding general economic conditions and the Company's future revenues and expenditures. Proceeds not immediately required for specified uses will be invested principally in United States government securities, short-term certificates of deposit, money market funds or other short-term interest-bearing investments.

16

CAPITALIZATION

The following table sets forth the (i) actual capitalization of the Company as of June 30, 1996, after giving effect to the one-for-six reverse stock split, (ii) pro forma capitalization of the Company as of June 30, 1996, after giving effect to (a) 119,444 shares to be issued in connection with a covenant not-to-compete and (b) 56,500 shares issued to Argent upon exercise of outstanding options, and (iii) as adjusted capitalization of the Company as of June 30, 1996, giving effect to the issuance and sale by the Company of the Units offered hereby, and the application of a portion of the net proceeds thereof to repay the Bridge Notes and certain other indebtedness. See "Use of Proceeds."

<TABLE>
<CAPTION>

June 30, 1996

	Actual	Pro Forma	As Adjusted(1)
<S>	<C>	<C>	<C>
Bridge Financing	\$ 780,000	\$ 780,000	--
Long-term notes payable, less current maturities ...	\$ 2,984,348	\$ 2,984,348	\$ 2,384,348
Due to related parties, less current maturities	258,956	258,956	258,956
Stockholders' equity:			
Preferred Stock, \$.01 par value, 10,000,000 shares authorized; 180,000 Class C shares issued and outstanding, redemption value \$10.00 per share(2)	1,800,000	1,800,000	1,800,000
Common Stock, \$.01 par value, 50,000,000 shares authorized; 3,226,258 shares issued and outstanding; 3,402,202 shares pro forma; 5,517,202 shares as adjusted(3)	32,262	34,022	55,172
Additional paid-in capital	20,043,585	20,833,573	28,188,673
Stock subscription receivable	(37,785)	(37,785)	(37,785)
Deferred compensation	(604,018)	(604,018)	(604,018)
Accumulated deficit	(5,913,152)	(5,913,152)	(6,475,152)
Stockholders' equity	15,320,892	16,112,640	22,926,892

(1) Gives effect to the recognition upon the repayment of the Bridge Notes of approximately \$560,000 of charges relating to the debt discount and debt issuance costs associated with the Bridge Financing. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Such shares of Class C Preferred Stock have an aggregate liquidation preference of \$1,800,000. See "Description of Securities -- Class C Preferred Stock."

(3) Does not include (i) shares issuable upon exercise of the Over-Allotment Option and the underlying Class C Warrants; (ii) 2,115,000 shares issuable upon exercise of the Class C Warrants included in the Units offered hereby; (iii) 115,000 shares issuable upon exercise of the Class C Warrants included in the Bridge Units; (iv) 200,000 shares issuable upon exercise of the Underwriters' Unit Purchase Option and the Class C Warrants included in such option; and (v) 56,665 shares issuable upon exercise of outstanding Class A and Class B redeemable stock purchase warrants.

17

PRICE RANGE OF SECURITIES

The following table sets forth the high and low bid information for the Common Stock as quoted on Nasdaq. The prices for all periods take into account the reverse stock splits effected in January 1994 and to be effected on the Effective Date.

<S>	Bid	
	High	Low
Quarter Ending	<C>	<C>
1996		
June 30	\$ 9.42	\$ 6.00
March 31	\$ 6.375	\$ 4.125
1995		
December 31	\$ 8.625	\$ 5.25
September 30	\$10.071	\$ 4.875
June 30	\$ 5.719	\$ 3.00
March 31	\$ 6.00	\$ 3.562
1994		
December 31	\$ 5.625	\$ 2.25
September 30	\$ 7.50	\$ 2.25
June 30	\$12.00	\$ 3.00
March 31	\$31.875	\$12.00

The foregoing quotations represent prices between dealers and do not include retail mark-up, mark-down, or commissions, and may not necessarily represent actual transactions.

As of August , 1996, the Company had approximately 3,250 stockholders of record. On such date, the closing bid price of the Common Stock was \$.

DIVIDEND POLICY

To date, the Company has neither declared nor paid any dividends on its Common Stock nor does the Company anticipate that such dividends will be paid in the foreseeable future. Rather, the Company intends to reinvest any earnings for the expansion and development of its business. Any payment of cash dividends on its Common Stock in the future will be dependent upon the prior payment of required dividends on Preferred Stock, the Company's earnings, financial condition, capital requirements and other factors which the Board of Directors deems relevant.

18

SELECTED HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA

The following table presents selected historical and pro forma consolidated financial data for the years ended December 31, 1994 and 1995, and for the six months ended June 30, 1995 and 1996. The financial data for the year ended December 31, 1994 is derived from the consolidated financial statements of the Company which have been audited by Mortenson and Associates, P.C., independent public accountants and are included in this Prospectus. The financial data for the year ended December 31, 1995 is derived from the consolidated financial statements of the Company which have been audited by Mahoney Cohen Rashba & Pokart CPA, PC, independent public accountants and are included in this Prospectus. The historical financial data for the six months ended June 30, 1995 and 1996 is derived from the consolidated financial statements of the Company which have not been subject to audit, but which have been prepared on a basis consistent with the audited financial statements. In the opinion of management, the unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the consolidated financial position and results of operations for those periods. The results of operations for the six months ended June 30, 1996 are not necessarily indicative of the results of operations for a full year. The historical financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the Company and related notes in this Prospectus.

<TABLE>
<CAPTION>

	Year Ended December 31,		Six Months Ended June 30,	
	1994	1995	1995	1996
<S>	<C>	<C>	<C>	<C>
Statement of Operations Data:				
Revenues	\$11,818,325	\$17,350,973	\$7,086,473	\$13,718,768
Expenses	11,074,785	15,820,228	6,478,661	12,775,519
Operating Income	743,540	1,530,745	607,812	943,249
Other Expenses	(48,866)	(603,628)	(202,840)	(108,766)
Income from Continuing Operations Before Income Taxes	694,674	927,117	404,972	834,483
Income Tax (Benefit)	(63,811)	(364,000)	--	--
Income from Continuing Operations	758,485	1,291,117	404,972	834,493
Discontinued Operations	(853,480)	(167,199)	--	--
Net Income (Loss)	(94,995)	1,123,918	404,972	834,493
Preferred Dividend	--	191,700	95,850	95,850
Net Income (Loss) Applicable to Common Stockholders	\$ (94,995)	\$ 932,218	\$ 309,122	\$ 738,633
Net Income (Loss) Per Common Share:				
Income from Continuing Operations	\$.11	\$.10	\$.05	\$.04
Discontinued Operations	(.12)	(.01)	--	--
Earnings (Loss) Per Common Share	\$ (.01)	\$.09	\$.05	\$.04

PRO FORMA STATEMENT OF OPERATIONS DATA (UNAUDITED):

The following unaudited pro forma statements of operations data do not purport to be indicative of the results of operations that would have occurred if the Company had acquired ASI, Armstrong, and J and J at the beginning of the periods presented.

<TABLE>

<CAPTION>

	Year Ended December 31, 1994	Year Ended December 31, 1995
	-----	-----
	(in thousands)	
<S>	<C>	<C>
Revenues	\$ 32,807	\$ 34,817
	-----	-----
Expenses		
Cost of sales	\$ 7,197	\$ 8,412
Operating Expenses	\$ 26,693	\$ 26,394
	-----	-----
Total Expenses	\$ 33,890	\$ 34,806
Net Income (Loss)	\$ (1,083)	\$ 11
	=====	=====
Earnings (Loss) per Share .	\$ (0.11)	\$ 0.00
	=====	=====

</TABLE>

The pro forma adjustments included above consist of:

<TABLE>

<CAPTION>

	Year Ended December 31, 1994	Year Ended December 31, 1995
	-----	-----
<S>	<C>	<C>
Amortization of Goodwill	\$ (545)	\$ (545)
Amortization of Covenant	(15)	(15)
Interest Expense	(270)	(270)
Productive efficiency obtained through adequate capitalization(1)	100	1,800
Elimination of duplicative administrative functions(1)	200	500
	-----	-----
Total	\$ (530)	\$1,470
	=====	=====

</TABLE>

(1) Savings amounts estimated by management. There can be no assurance of the actual amount of savings, if any.

<TABLE>

<CAPTION>

	December 31, 1995	June 30, 1996
	-----	-----
<S>	<C>	<C>
Balance Sheet Data:		
Working Capital	\$ 1,416,261	\$ 748,856
Total Assets	20,886,491	27,066,768
Long-Term Debt, Net of Current Maturities .	3,245,567	3,243,304
Stockholders' Equity	11,278,257	15,320,892

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related Notes included elsewhere in this Prospectus.

HISTORY; DISCONTINUED OPERATIONS

From its inception in 1979 until 1993, the Company was engaged to a material extent in the charter bus and line run business. As a result of government deregulation of the bus industry in the mid 1980s, the Company began to experience increased competition and decreasing profitability. In November 1987, the Company filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. The Company was discharged from bankruptcy in September 1989. In 1993, the Company determined to discontinue its charter bus operations. The Company also ran a passenger bus line between New York City and the Atlantic City casinos. Increased competition and changes in the gaming industry led to decreased ridership and price reductions which substantially decreased the profitability of this passenger line run. In 1992, the Company decided to discontinue such line run. The Company believed that pursuing a strategy of discontinuing unprofitable operations and expanding operations in other segments of the transportation industry would maximize its potential for increased profitability and growth.

As expected, the discontinuance of the line run and the charter bus businesses created substantial fluctuations in the Company's revenues and resulted in substantial losses. After losses of approximately \$2 million and \$850,000, respectively, from discontinued operations, the Company incurred net losses of approximately \$1.3 million and \$95,000, respectively, during the years ended December 31, 1993 and 1994. The Company substantially completed the cessation of its line run operations in 1993 and its charter bus operations in 1995.

Since 1993, the Company has pursued its strategy of acquiring businesses in other segments of the transportation industry. The most significant acquisitions have been those of ATAB in October 1994, Armstrong in June 1995 and ASI in November 1995. In addition the acquisition of the assets of Krogel in February 1996 significantly expanded Armstrong's package and freight delivery service business. Most recently, in June 1996 the Company acquired certain assets of J and J, a full-load tractor-trailer operation operating out of Syracuse, New York. Primarily as a result of the foregoing acquisitions, the Company recorded a profit during the year ended December 31, 1995 ("1995") and the six months ended June 30, 1996.

RESULTS OF OPERATIONS

The Company's operations were classified into three principal industry segments in 1995 and the 1996 Period: transportation, manufacturing and entertainment. In 1994, the Company's operations were classified into two principal industry segments; transportation and entertainment. The following is a summary of selected segment information:

<TABLE>

<CAPTION>

	1994	1995	1995 Period	1996 Period
<S>	<C>	<C>	<C>	<C>
Net Sales to Unaffiliated Companies:				
Transportation	\$ 9,225,391	\$ 9,455,622	\$4,136,276	\$ 7,413,965
Manufacturing	--	5,119,871	1,530,604	5,125,078
Entertainment	2,592,934	2,775,480	1,419,593	1,179,725
Totals	\$11,818,325	\$17,350,973	\$7,086,473	\$13,718,768
Income (Loss) from Operations:				
Transportation	\$ 904,720	\$ 264,188	\$ 259,129	\$ 627,279
Manufacturing	--	1,225,799	369,312	374,260
Entertainment	(161,180)	40,758	(20,629)	(58,290)
Totals	743,540	1,530,745	607,812	943,249
Other (expense), net	(48,866)	(603,628)	(202,840)	(108,766)
Income Before Income Taxes and Discontinued Operations as Reported in the Accompanying Statement of Operations	\$ 694,674	\$ 927,117	\$ 404,972	\$ 834,483

</TABLE>

Revenues increased 93.6% from approximately \$7.1 million for the six months ended June 30, 1995 (the "1995 Period") to approximately \$13.7 million for the six months ended June 30, 1996 (the "1996 Period") primarily as a result of the acquisition of ASI in November 1995 and the acquisitions of a number of package delivery businesses currently operating under the Armstrong name completed in June and July 1995 and February 1996. ASI and Armstrong accounted for approximately \$3.5 million (25.3%) and \$3.2 million (23.4%) of total revenues during the 1996 Period. The Company's transportation revenues increased by approximately 79.2%, reflecting the acquisition of Armstrong and Krogel. Primarily as a result of the acquisition of ASI in November 1995, manufacturing revenues for the 1996 Period increased approximately 234.8% from the 1995 Period. Revenues from entertainment services decreased by approximately 16.9% previously as a result of the termination of Sterling, the Company's travel agency.

Cost of goods sold increased by approximately \$2.9 million (360.4%) during the 1996 Period, primarily reflecting expenses incurred in connection with the manufacturing operations of ATAB and ASI. Operating expenses increased by approximately \$1.35 million (37.0%) during the 1996 Period reflecting the expansion of operations, primarily as a result of the Armstrong and Krogel acquisitions. As a percentage of revenues, the sum of operating expenses and cost of goods sold was 63.3% for the 1996 Period compared to 62.9% during the 1995 Period.

Selling, general and administrative expenses increased by approximately \$1,038,000 (61.7%) during the 1996 Period, but decreased as a percentage of revenues from 23.7% for the 1995 Period to 19.8% during the 1996 Period reflecting improved economies of scale.

Rent expense increased by approximately \$426,000 (389.2%) during the 1996 Period primarily as a result of an increase in equipment leases held by Armstrong in connection with its delivery services. The Company intends to (i) relocate ASI to substantially larger facilities during the next several months and (ii) expand its package delivery business, and accordingly, expects rental expense to increase significantly in the future.

Amortization expenses increased by approximately \$287,000 (560.6%) during the 1996 Period as a result of the ASI and Armstrong acquisitions and the related increases in goodwill. Further, as a result of vehicle purchases for the transportation operation, depreciation expense increased by approximately \$318,000 (175.1%) during the 1996 Period. The incurrence of such charges relating to these and any future acquisitions may have an adverse effect on the Company's net income in future periods. In addition, upon completion of the Offering and repayment of the Bridge Notes, the Company will recognize a charge to operations of approximately \$560,000, representing the unamortized portion of the debt discount and issuance costs relating to the Bridge Financing. It is expected the foregoing charges will substantially eliminate the Company's net income during the fiscal quarter in which the Offering is completed and are likely to result in a net loss during such period.

As a result of the foregoing, net income increased 106.1% from \$404,927 during the 1995 Period to \$834,483 during the 1996 Period. A substantial portion of the Company's profit during the 1996 Period was derived from ATAB.

YEAR ENDED DECEMBER 31, 1995 COMPARED WITH YEAR ENDED DECEMBER 31, 1994

Revenues increased 46.8% from approximately \$11.8 million for 1994 to approximately \$17.4 million for 1995. Substantially all of such increase is attributable to the acquisitions of ATAB in October 1994 and ASI in November 1995. ATAB and ASI accounted for approximately \$4.2 million (24.3%) and \$900,000 (5.2%) of revenues, respectively, during 1995. The Company's revenues from transportation services increased slightly (2.5%) during 1995, as revenues derived from the Company's Armstrong acquisitions in June and July 1995 offset decreases in other areas of this segment, including a decrease resulting from services performed in connection with a World Cup event which took place in 1994. Transportation service revenues accounted for only 4.2% of the total increase in revenues during 1995. Revenues from entertainment services increased 7% during 1995, accounting for only 3.3% of the total increase.

22

The Company incurred costs of goods sold in 1995 in connection with the manufacturing operations of ATAB and ASI. Operating expenses, together with costs of goods sold, increased by approximately \$2.7 million (39.4%) during 1995 but decreased as a percentage of revenues, to 56% for 1995 from 59% during 1994, primarily reflecting higher profit margins associated with the manufacturing operations of ATAB and ASI.

Selling, general and administrative expenses increased by approximately

\$1.3 million (39%) during 1995, but decreased as a percentage of revenues from 29.2% for 1994 to 27.7% during 1995, reflecting greater economies of scale.

Rent expense increased by approximately \$300,000 (244.3%) during 1995, reflecting equipment leases held by Armstrong in connection with its delivery services. As a percentage of revenues, rent expense increased from 1.1% during 1994 to 2.7% during 1995.

Depreciation and amortization expenses increased by approximately \$320,000 (62.4%) during 1995 as a result of the ASI and Armstrong acquisitions and the related increases in goodwill.

Total other expenses, net, increased approximately \$555,000 during 1995 primarily as a result of a \$420,000 loss on the sale of assets and the write-off of a \$76,000 note receivable.

During 1993, the Company adopted a plan to discontinue its charter business operations. Accordingly, revenue and losses from this business have been included as discontinued operations in the financial statements for 1994 and 1995. During such years, net losses from charter bus operations were approximately \$1.3 million and \$410,000, respectively. At June 30, 1996, the Company held for sale remaining net assets relating to the discontinued operations consisting of one motor coach with a book value of approximately \$56,000. Therefore, the Company does not expect discontinued operations to have a material impact on net income in the future.

On October 31, 1995, the Company's transportation service contract with Delta was lost in the bidding process. The Company also assigned its AMTRAK contract related to its former Toledo, Ohio charter bus operations to a third party. Such contracts accounted for 3.1% of revenues and 5.1% of net income during 1995. The Company expects that revenues and income from Armstrong and its manufacturing segment will more than offset the loss of these contracts. However, certain of the Company's subsidiaries continue to be dependent upon either a sole or dominant customer and the loss of a major customer in the future could have a material adverse impact on the Company's results of operations.

At December 31, 1995, for United States federal income tax purposes, the Company had consolidated net operating loss ("NOL") carryforwards of approximately \$11,200,000 due to expire commencing in 2002. The Company also had general business credit carryforwards of approximately \$647,000 due to expire commencing in 1996. The availability of these NOL and tax credit carryforwards to reduce or offset future taxable income and tax liability of the Company is subject to various limitations under the Code. Because the substantial portion of the tax credits expire in the next five years, and as the Company is required to first utilize its NOL carryforward to offset future earnings, the Company does not anticipate realizing any benefit from its tax credits. Further, the Company's ability to utilize the NOL carryforward is restricted upon the occurrence of an "ownership change" within the meaning of section 382 of the Code. Although the determination of whether an ownership change has occurred is subject to factual and legal uncertainties, the Company believes that an ownership change may have occurred as a result of various stock transactions in which it engaged during 1995. If such "ownership change" occurs, the Company will generally be permitted to utilize NOL carryforwards (available on the date of such change) in any year thereafter to reduce its income to the extent that the amount of such income does not exceed the product of (the "Section 382 Limit") (i) the fair market value of the Company's outstanding equity at the time of the ownership change and (ii) a long-term tax-exempt rate published by the Internal Revenue Service. As a result, the Company believes it may not be able to fully utilize its NOL carryforwards. The Company believes its use of its accumulated NOL will be limited to approximately \$800,000 per year.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed its cash flow requirements from bank borrowings, sales of debt and equity securities and funds generated from operations. At June 30, 1996, the Company had working capital of approximately \$750,000.

The Company has a line of credit (the "Line") with a bank in the aggregate amount of \$4.5 million. The Line, which bears interest at prime plus 3.5% payable monthly, provides for accounts receivable financing up to \$1 million, with a sublimit equal to 80% of eligible receivables, and term loan financing up to \$3.5 million to be secured by equipment. Term loans under the Line are payable monthly at a rate equal to 1/84th of the borrowing base balance, computed at 70% of the appraised net realizable value of such equipment.

Borrowings are also secured by property owned by an officer of the Company. See "Certain Transactions." The Company pays a 1% facility fee on the Line of \$3,750 per month. The Line terminates on September 1, 1996. The Company expects that it will be able to renew the Line if it so desires.

In February 1995, the Company completed a public offering of units comprised of convertible preferred stock (which was subsequently converted into Common Stock). Net proceeds to the Company, after deduction of underwriting discounts and commissions and other expenses of the offering (but prior to the allocation of deferred offering costs) were approximately \$1.8 million which were used primarily for the funding of production of airbag equipment at ASI and other general working capital purposes at ASI.

In November 1995, the Company issued approximately \$3.2 million face amount of 8% convertible debentures (the "Debentures") in a private offering pursuant to Regulation S under the Act for which the Company received net proceeds of approximately \$1.8 million. In January 1996, the Debentures were converted into 753,667 shares of Common Stock. In January 1996, the Company issued shares of preferred stock in a private offering pursuant to Regulation S under the Act for which it received net proceeds of \$256,728. In March 1996, these shares were converted into 88,890 shares of Common Stock. The net proceeds were used for working capital purposes at ASI.

In April 1996, the Company completed the Bridge Financing, issuing an aggregate of \$1,200,000 principal amount of Bridge Notes. The Company received net proceeds of \$982,000, after deducting the placement agent's discount and expense allowance and other expenses of the offering. The Bridge Notes are payable, together with accrued interest at the rate of 5% per annum, on the earlier of November 26, 1996 or completion of the Offering. See "Use of Proceeds." Upon repayment of the Bridge Notes, the Company will issue to the investors in the Bridge Financing an aggregate of 69,136 Bridge Units identical to the Units to be sold in the Offering. See "Concurrent Offering." The Company will recognize a charge of approximately \$560,000, representing the debt discount and debt issuance costs associated with the Bridge Financing, upon repayment of the Bridge Notes.

Except as set forth in "Use of Proceeds," the Company has no significant commitments at this time which would require that it expend capital and believes its current facilities and capital equipment are adequate for the Company as currently structured. The aforementioned refinancing of the Company's line of credit and the Company's debt due to related party significantly increased the Company's credit availability and, combined with the proceeds of the recent public offering of securities, creating a working capital balance of \$748,856 at June 30, 1996.

At June 30, 1996, the Company had \$126,000 of irrevocable standby letters of credit, \$50,000 of which is to cover the Company's liability with respect to pending accident claims, and the remainder of which collateralizes various operational bonds. As of June 30, 1996, the Company has recorded a liability of approximately \$25,000 with respect to pending accident claims, which amount is included in Other Current Liabilities. The Company has recorded all contingent liabilities which it believes are likely and measurable and does not anticipate actual losses in these matters to exceed what has been accrued or to have a material effect on the Company's liquidity.

BUSINESS

The Company is currently primarily engaged in three business areas: (i) manufacturing transportation machinery and equipment; (ii) providing transportation related services; and (iii) providing entertainment services. The Company's manufacturing division includes (a) ASI, which designs, manufactures and markets patented machinery which folds and tests airbags and assembles airbag modules, for installation in passenger and utility vehicles, and (b) ATAB, which manufactures certain vehicle components (such as electrical wiring harnesses) as a sub-contractor to a contractor of the United States Department of Defense and provides related engineering services. The Company's transportation related services consist of (a) providing over-the-road package delivery services for air freight carriers doing business in Florida provided under the names Armstrong and Trans Lynx; (b) providing bus and other motor vehicle transportation services to businesses and municipalities on a contract basis in various states; and (c) operating a fleet of company-owned and privately-owned taxi cabs in Toledo and Lima, Ohio and a car service based in Westchester County, New York. The Company's entertainment division consists of five ticket brokerage agencies which sell tickets for theatrical, sports and other entertainment events, including packaged tours of New York City. During the year ended December 31, 1995 and the six months ended June 30, 1996, manufacturing operations accounted for approximately 30% and 37%, respectively, transportation

services accounted for approximately 54% and 54%, respectively, and entertainment services accounted for approximately 16% and 9%, respectively, of total revenues. During such periods, manufacturing operations, transportation services and entertainment services accounted for approximately 80% and 40%, 17% and 66% and 3% and (6%), respectively, of income (loss) from operations.

The Company has made several acquisitions during recent years, the most significant of which was the Company's acquisition of ASI in November 1995. In addition, in February 1996, the Company acquired certain assets, including contract rights, from Krogel which was engaged in the package and freight delivery service business in Florida. In June 1996, the Company acquired certain assets, primarily trucking equipment, from J and J, a full-load trucking operation located in Syracuse, New York.

The Company's strategy is to pursue growth through acquisitions and expansion of its current operations, in particular:

- o Expansion of ASI. The Company believes that demand for ASI's products will grow as governmental regulations increase the demand for driver and passenger-side airbags. The Company intends to use a portion of the proceeds of the Offering to relocate ASI to a larger facility and substantially expand production capacity.
- o Expansion of Armstrong. The Company will seek to expand Armstrong's package and freight delivery services to other locations in Florida and surrounding states.
- o New Transportation Contracts. The Company will seek to procure new transportation contracts to be performed by the Company's existing transportation services locations.
- o Strategic Acquisitions. The Company continues to seek the acquisition of companies engaged in businesses related to or synergistic with the Company's current operations.

TRANSPORTATION RELATED SERVICES

Contract Transportation Services

This segment of the Company's business consists of supplying buses, vans or customized vehicles to customers pursuant to written contracts which are generally awarded on a competitive bid basis. Customers include municipalities and other governmental agencies, schools, the armed forces and private industry.

During the past 14 years, the Company has developed an extensive infrastructure to support its contract transportation activities. This infrastructure consists of garage facilities, repair shops, contiguous parking areas and computerized dispatch and communications capacity, all staffed by an experienced group of maintenance, operational and administrative personnel. While such support structures exist for all localities from which the Company operates its contract activities, the Company's strongest infrastructure hubs are centered in Detroit,

25

Michigan, Toledo and Cincinnati, Ohio and Tampa, Florida. In all of its localities, the Company has established sources for operational supplies and repair parts, with round-the-clock dispatching, maintenance and road service. As the Company pursues contract transportation opportunities, its objective is to exploit the advantages of its infrastructure for efficient operations.

Most of the transportation contracts which the Company secures are awarded on a competitive bid basis. A municipality, public authority or private corporation sets forth the specifications for its transportation requirements, and the Company and its competitors submit bids specifying prices for the services and other terms requested in the solicitation of bids. The contract is then awarded on the basis of price, financial reliability of the bidder, and other considerations.

Upon the award of the contract (or, in cases where the Company obtains a contract by private negotiation, upon the signing of the contract), the Company may have to make a significant capital expenditure to establish the facilities (including garage, tools and personnel) and obtain the equipment (generally buses and spare parts) necessary to carry out the Company's obligations under the contract. While capital expenditures do not occur in every case in which the Company contracts with a new party, the Company's experience has been that such expenditures are usually necessary and are often significant. The Company will then recover the cost of its expenditures

from fees paid to it over the life of the contract.

One of the Company's largest transportation contracts is with the Ford Motor Company. Under this contract, the Company has operated an internal bus transportation system for employees at Ford's River Rouge plant in Dearborn, Michigan, for the past 17 years. Under the terms of the contract, Ford pays the Company on a per hour basis for bus service; the service operates 24 hours a day, 365 days a year. Revenues from this contract accounted for approximately 19% and 14% of the Company's total revenues in 1994 and 1995, respectively. The contract with Ford expires on June 30, 1998.

Other contract transportation services offered by the Company include its agreement with Kenton County Airport Board ("Kenton") for services at the Cincinnati Airport. Cincinnati has its main airport located over the state border in Boone County, Kentucky. For the past 14 years, the Company has had an arrangement with Kenton which gives the Company the exclusive right to provide transportation, on behalf of the City of Cincinnati, between the airport and various locations within the City. The Company also runs a shuttle service at the airport under a contract with the City of Cincinnati. The Company provides round-the-clock shuttle service between the various terminals and parking lots, and is paid by the City on an hourly basis. The term of the Company's arrangement with Kenton continues through August 2000.

In 1994, the Company completed a package of one-month contracts with several participants in the 1994 World Cup. Based upon the success of the World Cup contracts, the Company formed Transportation Management. The business of Transportation Management is to organize and manage transportation in connection with sporting and other large public events, using vehicles owned by the Company or vehicles operated by other carriers with whom Transportation Management enters into subcontracts. During 1995, Transportation Management was designated as an approved transporter in connection with the Hall of Fame Bowl and the Super Bowl, and will seek to obtain similar arrangements in connection with other events.

Contract services such as these make up the fastest growing segment of the Company's current transportation operations. The Company continues to seek new transportation contracts to be performed by its existing subsidiary service providers.

Trucking/Package Delivery Services

The primary business of Armstrong is delivery of packages and freight under contract from air common carriers. The primary business of Trans Lynx is ground delivery, generally between airports, of containerized air cargo under contract from other common carriers. In both instances, these common carriers are generally well-known overnight couriers. Management believes that these overnight couriers utilize Armstrong because in the three Florida cities of Tampa, Orlando and Jacksonville, the individual companies do not have sufficient package and/or freight on any given day to warrant the utilization of their own vehicles for deliveries; Armstrong acts as a delivery service for approximately 200 of such air common carriers. The Company's acquisition of Armstrong and Trans Lynx therefore, enables the Company to participate in the growing package delivery industry without making the immense capital investment necessary to establish a package carrier which deals directly with the public.

26

The Company's most recent acquisition involved certain assets from a trucking operation in Syracuse, New York. This full-load tractor-trailer operation, with trucking lanes substantially in the Northeast, operates under the name of "Jay and Jay Transportation, Inc."

Taxi Cab and Car Services

The Company's taxi operations are located in Toledo and Lima, Ohio and are performed by Black & White Cab, Inc. ("Black & White"), a wholly-owned subsidiary of the Company. Black & White maintains a fleet of 76 cabs, of which 21 are Company-owned and 55 of which are driver-owned.

The Company's car service operations are based in Westchester County, New York and are performed for the general public by Transportation Systems Corp. ("Transportation Systems"), a wholly-owned subsidiary of the Company. Transportation Systems maintains a fleet of 63 vehicles, a mixture of Town Cars and vans, all of which are driver-owned or driver-leased; its largest contract customer is IBM.

EQUIPMENT

As of June 30, 1996, the Company owned and maintains for operations a

fleet of 332 vehicles, including 6 highway coaches, 8 transit buses, 16 school buses, 11 vans, 3 minibuses, 2 tractors, 49 delivery straight trucks, 54 tractors, 151 trailers and 32 cabs, cars and service vehicles. The Company also owns one highway coach (reduced from 37 coaches at December 31, 1994) which it intends to sell.

To maintain its fleet, the Company operates a number of vehicle repair centers staffed by mechanics and trained servicemen. These shops, most of which operate around the clock, 365 days per year, service the Company's vehicles exclusively.

BUSINESS DEVELOPMENT

The Company maintains an in-house Department of Business Development which is continually seeking new business opportunities in transit management, transit operations, airport ground transportation and other related fields. The business development staff reviews requests for proposals and invitations for bids, prepares formal proposals and bid submittals, negotiates awarded contract terms, and participates in the initial start-up activities of newly awarded contracts. The business development staff also provides technical assistance to presently managed systems and operations.

The Company believes that its most promising avenue for expansion in its transportation services segment is the acquisition of currently operating transportation entities in the geographic areas where the Company's existing support infrastructure is strongest and where it can assume expanded responsibilities without significant increases in capital plant or personnel. In addition to the efforts of the Company's Department of Business Development, the Company's senior management is continuously engaged in identifying selected targets for acquisition. See "Use of Proceeds."

MANUFACTURING SERVICES

With its acquisitions of ATAB in October 1994 and ASI in November 1995, the Company expanded its business into manufacturing. During 1995 and the 1996 Period, the manufacturing segment accounted for approximately 30% and 37%, respectively, of the Company's revenues. ATAB is currently engaged in providing engineering services and electrical component assembly to Stewart & Stephenson, Inc. ("S & S"), a contractor for the U.S. government. ASI is currently engaged in the manufacture of automatic airbag folding equipment and a number of other components incorporated in either airbag module assemblies or production of other safety components.

Transportation Component Manufacturing Services

The Company, through ATAB, is engaged in the business of providing engineering services and electrical components to vehicle manufacturers. Its facility in Sealy, Texas houses two divisions: the engineering

27

services division and the harness production division. At the present time, both divisions are performing services exclusively for one customer, S&S, a contractor for the Department of Defense. The engineering services division provides drafting and other services in relation to the Family of Medium Tactical Vehicles that S&S produces for the U.S. Army. The harness production division is engaged in the assembly of the enhanced electrical systems wiring harness set components for that same military vehicle. ATAB provides these services to S&S pursuant to short-term agreements generally lasting less than 18 months which have historically been renewed upon expiration.

Automatic Cushion (Airbag) Folding Equipment

In 1987, ASI began the development of cushion folding equipment for the General Motors Corporation ("GM") and Ford. The original equipment was semi-automatic in nature, requiring operator intervention to produce the required finished folding patterns. As cushion geometry and construction became more complex, cushion folding patterns also became more complex, requiring a greater need for more automated processes to produce the necessary folding consistency required. Automated folding also generally reduces the folding time. ASI produced what the Company believes is the first fully automatic driver side airbag folding equipment, requiring minimum operator intervention. The operator simply loads the product into the machine, and the machine produces the finished folded cushion within design specifications. ASI has developed and patented numerous driver side folding machines used by most major airbag manufacturers in the world.

In 1990, ASI was approached by its existing customer base to produce equipment to fold passenger side cushions for module assembly. The passenger side products were significantly more complex than driver side; however,

similar to driver, initial automation approaches embarked upon were semi-automatic in nature. ASI was, to the Company's knowledge, the first company to produce fully automatic passenger side cushion folding equipment.

Airbags folded on the Company's machinery are employed by GM, Ford, Chrysler, Nissan, Toyota and Honda, among others.

Automatic and Semi-Automatic Riveting Equipment

In order to expand its product offering for producing airbag module assemblies, ASI began producing custom rivet workstations for attaching the cushion to the product housing. Similar to many automation integrators, ASI's initial approach to entry in this market was to purchase existing rivet feed and pull technology from the large pull rivet supply companies. Though proficient at producing pull rivets, these companies produced rivet feed systems that did not meet the system uptime requirement needed for necessary production levels. ASI established its own rivet feed system that significantly increased the reliability of this process. This rivet technology is used today for cushion attachment as well as for attaching the gas generator (inflator) to the module assembly, and for attaching the decorative cover, matched to the automobile's interior, to the final assembly.

Automatic and Semi-Automatic Screw and Nut Torque Equipment

In further expanding ASI product offerings to the automotive safety components marketplace, ASI began building both screw and nut torque systems in 1992. The addition of this expertise has allowed ASI to be a full system supplier to major airbag module manufacturers such as TRW Safety Systems (North America and Europe), Morton Automotive Products Division (North America and Europe), Delphi Interior and Lighting Systems - GMC (previously Inland Fisher Guide Division of General Motors), Allied Signal Bendix (North America and Asia), and Takata International. Products produced for this marketplace include passenger side inflatable restraint end plate screw torque systems, decorative cover nut torque attach systems, and gas generator (inflator) attach systems for both driver and passenger side products.

Gas Generator (Inflator) Subassembly Workstations

In 1993, ASI expanded into a new market arena of the automotive safety restraints producers by supplying custom workstations for manufacturing inflator filter assemblies. This arena has been dominated by major automation players since its inception. ASI has produced this equipment for companies such as Tally, Morton International. ASI currently produces passenger side inflatable restraint filter assembly weld workstations, driver side inflator assembly workstations for handling and loading graphite seals, slag filters, final filters, gas shields, combustion chambers, and laser welding load/unload workcells.

28

Automated Test Equipment

As a supplement to the assembly of airbag modules, various aspects of the production involve testing. ASI is currently the market leader in the production of flow test (leak test) equipment for the drivers' side airbag, which equipment Company management believes is used by all airbag manufacturers in the United States. Additionally, ASI recently began its penetration of this test equipment into the international market with sales of this equipment to customers in Europe and Asia. ASI has also developed a passenger filter permeability test device to verify airflow through finished passenger inflator filters.

In 1990, ASI developed a driver and passenger side cushion over pressurization machine used for collecting data during destructive testing of airbags. This machine incorporated many new technical achievements for burst test equipment. To the knowledge of Company management, it (i) is the only machine capable of bursting a passenger side airbag without a liner, and (ii) is the only burst test machine capable of inflating the driver side and passenger side bags to shape before bursting them. This technology also is adaptable for testing side impact bags.

To complete the product offering for module assembly, ASI has developed electrical test machines to verify the performance of the electrical initiator adaptor used for triggering the airbag deployment on both driver and passenger airbags. This equipment is currently in use at Delphi Interior and Lighting Systems, TRW Safety Systems and Morton Automotive Products Division.

ASI has designed and built test workstations for verifying the hermetic

seal on airbag propellant holding containers located in the gas generation (inflator) device. These systems include helium fill stations and helium leak detection systems utilizing a mass spectrometer for sensing helium presence.

ASI is committed to maintain its position in the field of manufacturing and test equipment for the airbag industry. ASI intends to continue its efforts to expand its market segment in providing test and process equipment to other industries. In addition, ASI has manufactured various automated systems for the semiconductor and medical industry. These systems are primarily utilized in the manufacturing facilities of these industries to provide for higher production efficiency with consistent high quality.

ENTERTAINMENT SERVICES

The Company's entertainment segment is comprised of five corporate divisions: Downtown Theater Ticket Agency, Inc. ("Downtown"), Premier Box Office, Inc. ("Premier"), Broadway Theatours, Inc. ("Theatours"), Advance - New York, a division of Downtown, and Advance - Chicago.

Downtown and Advance - New York are licensed theater agencies that specialize in the retail sale of tickets for theater, sports and various entertainment events in the New York metropolitan area. Advance - Chicago specializes in the same business in Chicago. The firms purchase tickets at their retail price or at a discount from retail and resell them at the retail price plus a brokerage charge and a handling charge. These firms have been in business for over 53 years, servicing corporate and individual clients throughout the United States and the remainder of North America. The companies' toll free numbers (800) THE-SHOW, (800) NY-SHOWS and (888) NY-SHOWS are promoted nationwide as a prime source for tickets to events in the New York area.

Theatours, which also utilizes the toll free numbers, provides prepackaged New York tours which incorporate entertainment events with lodging, meals and other amenities, and which are sold primarily through travel agents in the United States and Canada. Broadway shows and the U.S. Open Tennis Tournament are examples of prepackaged events.

During 1995 and the 1996 Period, revenues from entertainment services accounted for approximately 16% and 9%, respectively, of the Company's revenues.

PATENTS AND PROPRIETARY RIGHTS

A substantial portion of the Company's revenues are derived from the operations of ASI. The Company's success, therefore, may depend, in part, on its ability to maintain patent protection for ASI's products and

29

manufacturing processes, to preserve such subsidiary's trade secrets and to operate without infringing the proprietary rights of third parties. ASI is dependent upon such trade secrets and in 1990 began vigorously pursuing patents on automatic air bag folding technologies. ASI currently holds six patents on automatic air bag folding methods and apparatus that are crucial in folding the driver side, passenger side, and "side" impact air bags. Currently ASI is the only automation equipment manufacturer that can automatically fold a passenger side bag and install the folded bag into its protective cover or housing. The Company may incur substantial costs in seeking to enforce its patent rights against others; however, the Company believes that any such expense will be off-set by the benefits provided by such patents. See "Legal Proceedings."

GOVERNMENT REGULATION

The Company's manufacturing facilities are subject to regulation and inspection standards established by OSHA. To date, the Company's manufacturing facilities have not been inspected for compliance with the standards established by OSHA, although the Company believes that is in material compliance with current standards.

The Company's transportation operations are subject to regulation by various agencies including the New York State Department of Transportation, the Port Authority of New York and New Jersey, the U.S. Department of Transportation and the Federal Highway Administration, as well as local authorities. Each of these agencies regulates various aspects of licensing, permitting and operations of the Company's package delivery and bus services. Although none of such regulations presently imposes great burden upon the operation of the Company, such regulations are subject to change. Unforeseen changes in such regulations may have a significant negative impact on the Company, as they have in the past in connection with the deregulation of bus

services.

LIABILITY INSURANCE COVERAGE

The Company must maintain liability insurance to cover the risk of loss arising from personal injury and property damage claims. This insurance is mandatory to permit the Company to operate as a passenger carrier. Additionally, the cost of this insurance coverage, when available, has increased dramatically. The cost of the Company's insurance for the 1996-1997 year will be approximately \$365,000. The Company has always operated with full liability insurance coverage, and in the absence of such coverage would not be permitted to operate as a common carrier. The Company also carries customary insurance coverage for its other operations.

EMPLOYEES

At July 31, 1996, the Company employed 506 employees. Of these, the majority are drivers, factory manufacturing persons and other service personnel. Approximately 50 employees perform office and administrative functions.

The Company has contracts with a number of unions; however, less than 20% of the Company's employees belong to a union. The Company believes its present relations with its unions and other employees are good.

PROPERTIES

The parcels of real property owned by the Company, all of which are improved, are: (1) a parcel of 4.25 acres at One Keeshin Drive, Toledo, Ohio; (2) a parcel of less than one acre at 822 East Service Road, Boone County, Kentucky, from which the Company operates under its arrangement with the City of Cincinnati; (3) a parcel of less than one acre at 420 West Elm Street in Lima, Ohio, from which the Company operates its Lima-based taxi service; (4) a parcel of less than one acre at 3740 E. LaSalle St., Phoenix, Arizona, from which ASI conducts its operations; and (5) a parcel of 9.627 acres at 2305 Pyka Road, Sealy,

30

Texas, from which ATAB conducts its operations. The table below identifies the properties leased by the Company and its subsidiaries for an annual rental of \$10,000 or more. Management of the Company believes that these facilities are adequate for its operations as presently structured.

<TABLE>

<CAPTION>

Company	Lessor	Premises	Term and Annual Rental
<S>	<C>	<C>	<C>
U.S. Transportation Systems, Inc.	Delcon Realty	33 West Main St. Elmsford, NY	11/1/95 to 10/31/00 \$27,600
Shortway River Rouge, Inc.	Harriet Friedman	661 S. Dix Detroit, MI	7/1/92 to 6/30/97 \$24,600
Transportation Systems Corp.	Delcon Realty	33 West Main Elmsford, NY	9/1/94 to 9/1/99 \$22,500
Advance Entertainment -- NY	JBRC	261 W. 35th St Suite 800 New York, NY	Month to Month \$25,200
Advance Entertainment -- Chicago	Dan Development Ltd.	3340 N. Clark Chicago, Il.	7/15/95 to 7/30/97 \$15,600
Armstrong Freight Service	Ensign Properties	6022 Benjamin Tampa, FL	6/1/94 to 5/31/97 \$40,257
Armstrong Freight Service	EVV Florida Investments, Ltd.	9025 Boggy Creek Orlando, FL	1/31/93 to 11/30/96 \$37,094

</TABLE>

LEGAL PROCEEDINGS

Mountainview Coach Lines Bankruptcy

In 1987, Mountainview Coach Lines, Inc. ("Mountainview"), a wholly-owned subsidiary of the Company filed for bankruptcy protection. In 1989, the Mountainview proceedings were converted from Chapter 11 to a Chapter 7 liquidation proceeding. The assets of Mountainview have been liquidated, and

early in 1994 the final judicial proceedings were completed. It is expected that payment will be made by Mountainview's Trustee in Bankruptcy to creditors by September 30, 1996. When payment is made, the Company will receive \$325,000 by reason of a priority claim which was settled by the Bankruptcy Court on March 28, 1994 (the "Mountainview Settlement"). That amount has been recorded as a receivable on the Company's balance sheet since December 31, 1993.

Patent Infringement Claim by the Company

On April 9, 1996, ASI, through the Company, filed a patent infringement complaint against Omega Automation, Inc. ("Omega") in the United States District Court for the District of Delaware, accusing Omega of infringing ASI's United States patent numbers 5,375,393 and 5,162,035 by its manufacture, sale and use of automatic vehicle airbag folding equipment covered by these patents. On May 17, 1996, Omega answered the Company's complaint denying its material allegations and seeking a declaratory judgment that both patents are invalid and not infringed and that one patent was unenforceable. The Court has ordered a trial for September 8, 1997 and a discovery deadline of February 3, 1997.

Accident Claims

The Company is subject to a number of claims arising over the years from accidents involving the Company's transportation vehicles. The Company's liability insurance fully covers each of these claims. The Company is responsible, however, for the amount of the deductibles from insurance coverage as to these claims. At December 31, 1995 the total amount of the deductibles for which the Company was responsible in connection with pending claims was approximately \$100,000. The Company has recorded a liability of approximately \$75,000, which the Company believes is a reasonable estimate of the loss it will incur in connection with settlement of these claims, based on the advice of the Company's insurance carriers as to the likelihood that an adverse result will occur.

The Company is party to various additional matters in litigation which have arisen in the ordinary course of business. Management believes that the Company's insurance coverage is adequate to protect the Company from material adverse effects in connection with any adverse outcomes of such matters.

MANAGEMENT

The following sets forth certain information regarding the executive officers and directors of the Company:

<TABLE>
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
Michael Margolies ...	68	Chairman of the Board, Chief Executive Officer and President
Terry A. Watkins ...	45	Executive Vice President, Chief Financial Officer and Secretary
Ronald Sorci	46	Controller and Treasurer
Jay Owen Margolies ..	45	Director
K. Thomas Wegerbauer .	58	Director
Stanley Chason	68	Director
Robert I. Blackman ..	68	Director

</TABLE>

Directors hold office until the next annual meeting of the Company's stockholders and the election and qualification of their successors. If the Company fails to hold an annual meeting of its stockholders, the term of office of directors will be indefinite. The Company may hold annual meetings of stockholders or other meetings for the election of directors in the future, but has not yet determined if or when it will do so. To date, the Company has not held any meetings of its stockholders. See "Risk Factors -- Limited Stockholder Control of Management." Officers hold office, subject to removal at any time by the Board, until the meeting of directors immediately following the next annual meeting of stockholders and until their successors are appointed and qualified.

Michael Margolies has been a director of the Company, Chairman of the Board and Chief Executive Officer of the Company since 1979 and has been President since June 1995. Mr. Margolies is the father of Jay Owen Margolies, the past President and one of the Company's Directors.

Terry A. Watkins has served as the Chief Financial Officer of the Company

since May 1993 and has been Secretary since June 1995. From 1992 until he joined the Company, Mr. Watkins worked as a consultant on financial accounting matters. For six years prior to that time, Mr. Watkins was the Chief Operating Officer of Tem-Cole, Inc., a multi-state food produce business. Within two years after the date on which Mr. Watkins terminated his employment with Tem-Cole, Inc., a petition under the federal bankruptcy laws was filed against that company. Prior to his employment by Tem-Cole, Inc., Mr. Watkins worked for the accounting firm of Deloitte Haskins & Sells for five years and is a Certified Public Accountant.

Ronald Sorci has been Controller and Treasurer of the Company since July 10, 1996. From 1989 until July 1996, Mr. Sorci was President and owner of RPS Executive Limousines Ltd., a luxury town car and limousine company servicing fortune 500 companies worldwide.

Jay Owen Margolies has been a director of the Company since 1979. He is currently employed as Senior Advisor by the Company on a part-time basis, advising the Company regarding operations management. From 1988 until June 1995, he was the President and Chief Operating Officer of the Company. Prior to becoming President, Mr. Margolies served as a Vice President of the Company from 1983 to 1987. Jay Owen Margolies is the son of Michael Margolies, the Company's Chief Executive Officer.

K. Thomas Wegerbauer has been a director of the Company since 1979. He served as the President and Chief Operating Officer of the Company from 1979 to 1987. He now serves as a consultant to the Company on a part-time basis, primarily advising the Company regarding contract bidding and labor relations.

Stanley Chason has been a director of the Company since July 1996. From 1962 until his retirement in 1984, Mr. Chason held various positions with Gelco Corporation ("Gelco"), a company listed on the New York Stock Exchange which is engaged in all aspects of vehicle leasing. His last position with Gelco was as Executive Vice President and a member of the Board of Directors. Mr. Chason was also Chairman and Chief Executive Officer of the Fleet and Management Services Division of Gelco.

Robert I. Blackman has been a director of the Company since July 1996. For more than the past five years, Mr. Blackman has been the President and Chief Executive Officer of the Best of Brooklyn Properties, Inc., a private real estate investment firm.

EXECUTIVE COMPENSATION

The following table sets forth all compensation awarded to, earned by, or paid by the Company to the following persons for services rendered in all capacities to the Company during each of the fiscal years ended December 31, 1995, 1994 and 1993: (1) the Company's Chief Executive Officer, and (2) each of the other executive officers whose total salary and bonus for the fiscal year ended December 31, 1995 exceeded \$100,000.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Restricted Stock Award(1)	(e) Other(2)
Michael Margolies Chairman of the Board, Chief Executive Officer, and President	1995 1994 1993	\$230,000 \$230,000 \$230,000	\$600,000	
Jay Owen Margolies Former President	1995 1994 1993	\$ 62,500 \$150,000 \$150,000	\$183,000	\$30,000

</TABLE>

(1) Represents the market value of shares granted under a certain restricted stock grant program created by the Company (the "Restricted Stock Grant Program"). Aggregate grants under such program were 183,333 shares at December 31, 1995, with a value on that date of \$825,000. None of the stock grants vest prior to August 15, 1998. They then vest in 25% increments per year until August 15, 2001. No dividends are to be paid

with respect to unvested shares. The named executive officers held 174,000 restricted shares as follows: Michael Margolies (133,333 shares - \$600,000 value at December 31, 1995), Jay Owen Margolies (40,667 shares - \$183,000 at December 31, 1995).

(2) Represents salary earned for part-time employment services.

EMPLOYMENT AGREEMENTS

In addition, in connection with the acquisition of ASI, on November 13, 1995, the Company entered into employment agreements (the "ASI Employment Agreements") with each of the former ASI stockholders as well as Miller B. Lee, who had been ASI's Chief Financial Officer. The ASI Employment Agreements provide the following:

Employee	Position with ASI	Salary
William F. Baker	President	\$120,000
Pierre J. Metivier	Vice President	\$120,000
Jamal H. Saklou	Vice President	\$115,000
Miller B. Lee	Chief Financial Officer	\$100,000

The ASI Employment Agreements provide that the four employees will share in a bonus pool at the end of each of 1996, 1997 and 1998. The amount of such bonus pool will be ten percent of ASI's pre-tax income during the respective year in excess of \$750,000, \$1.5 million and \$2.5 million for 1996, 1997 and 1998, respectively and such amount will be paid in cash and Common Stock. Each ASI Employment Agreement also provides for a grant of stock options to the employee. Messrs. Baker, Metivier and Saklou were awarded options to purchase 3,333 shares at \$7.50, 3,333 shares at \$9.00 and 3,333 shares at \$12.00. Mr. Lee was awarded options to purchase 8,333 shares at \$7.50, 8,333 shares at \$9.00 and 8,333 shares at \$12.00. The ASI Employment Agreements contain a covenant which restricts the employee from entering into competition with ASI until the later of (a) two years after his employment by ASI terminates or (b) December 31, 2000.

In connection with the acquisition of Armstrong, Bart Citro, the President of Armstrong, is entitled to receive a salary of \$65,000 and an annual bonus equal to 10% of Armstrong's annual pre-tax profits in excess of \$100,000. In addition, Mr. Citro agreed not to compete with the Company for the term of his contract plus two years.

33

On July 10, 1996, the Company entered into an employment agreement with Ronald P. Sorci to act as the Company's treasurer and controller for a term of five years. Mr. Sorci will receive (i) an annual salary of \$100,000, (ii) an annual non-accountable expense allowance of \$25,000, (iii) 2,083 shares of Common Stock each March 31 and November 30, and (iv) other customary benefits. Mr. Sorci also entered into a covenant not to compete with the Company for a period of seven years for which he will receive (i) \$50,000, (ii) 8,333 shares of Common Stock, and (iii) approximately 111,111 additional shares of Common Stock.

In connection with the acquisition of certain assets from J and J, the Company entered into an employment agreement with William Orr, the sole stockholder of J and J. Mr. Orr will be employed by Jay and Jay Transportation, Inc. for a term of three years and receive an annual salary of \$90,000. Mr. Orr will also receive 16,667 shares of Common Stock in connection with his agreement not to compete with the Company.

REMUNERATION OF DIRECTORS

The Directors of the Company receive no compensation for their services, but are reimbursed for out-of-pocket expenses incurred on the Company's behalf.

RESTRICTED STOCK GRANT PROGRAMS

On January 18, 1994, the Board of Directors of the Company adopted a Restricted Stock Grant Program (the "Program") pursuant to which 183,333 shares of Common Stock were reserved for issuance. The Program provided that if the Company recorded more than \$12,000,000 in sales during the twelve months ending on June 30, 1994, the shares would be issued to each of the Company's three officers (the "Grantees") who remained employed by the

Company on that date. Those conditions were satisfied, and the shares were issued as follows:

Michael Margolies - 133,333 shares

Jay Owen Margolies - 40,667 shares

Terry A. Watkins - 9,333 shares

The terms of the Program were amended in April 1995. Under the amended terms, the shares issued under the Program are subject to the following restrictions:

After each of the fiscal years from 1996 through 1998, one-fifth of the shares granted (36,666 associated with each year) are subject to forfeiture, as follows:

- 12,222 will be forfeited if the Company's sales in that year are less than \$15,000,000.

- 12,222 will be forfeited if the Company's income from continuing operations before income tax fails to exceed a "income standard." The "income standards" will be: 1996 - \$990,000; 1997 - \$1,089,000; and 1998 - \$1,197,900.

- 12,222 will be forfeited if the Company's earnings per share fail to exceed an "earnings standard." The "earnings standards" (based on 1,222,198 shares of Common Stock outstanding) will be: 1996 - \$.78; 1997 - \$.84; and 1998 - \$.96. For 1996 the earnings per share standards refer to income after taxes; for 1997 and 1998, the earnings per share standards refer to income before taxes.

If any shares are subject to forfeiture in any one year due to failure to meet the standards set forth above, but the average of that year and the other three years would exceed the standard in that year, then the shares will not be forfeited.

All shares held by a grantee shall be forfeited if his employment by the Company terminates prior to the date the restrictions lapse. Further, the shares are restricted from transfer, provided that with respect to 25% of the number of shares granted under the Program, such shares will become unrestricted stock on August 15, 1998. The restriction will lapse with respect to each additional 25% of such number of shares on August 15 of each successive year. The restriction will also lapse as to all shares granted to a grantee on the first to occur of (i) the termination of that grantee's employment with the Company by reason of his disability, (ii) the grantee's death, (iii) termination of the grantee's employment by the Company without good reason, or (iv) a change of control of the Company.

34

During any tax year in which a grantee realizes taxable income by reason of the lapse of the restrictions on the shares granted under the Program, the Company will pay to such grantee a "Gross-Up Bonus" in cash equal to the aggregate of (i) the additional federal, state and local income taxes incurred by grantee as a result of realization of such taxable income, and (ii) the federal, state and local income tax incurred by the grantee as a result of the Gross-Up Bonus. In no event will the Gross-Up Bonus exceed the aggregate of (i) the amount of the tax deduction for which the Company receives a benefit for the tax year of the Company beginning during the tax year of the grantee in which he realizes taxable income by virtue of the lapse of the restrictions referred to above, and (ii) the amount of the tax deduction for which the Company receives a benefit for such tax year of the Company by virtue of the Gross-Up Bonus.

CONTINGENT STOCK GRANT PROGRAM FOR ASI STOCKHOLDERS

In addition to the Employment Agreements entered into with the former ASI stockholders, on November 13, 1995, the Company adopted a Contingent Stock Grant Program (the "ASI Program") pursuant to which 166,667 shares of Common Stock were reserved for issuance to them. The ASI Program provides that 55,556 of the shares will be issued to each of the ASI Stockholders (the "Grantees"). The shares issued under the ASI Program are subject to the following restrictions:

After each of the three fiscal years from 1996 through 1998, one-third of the shares granted (18,519 per Grantee per year) are subject to forfeiture. 5,556 of the shares will be forfeited if the Grantee is not an employee of ASI on the last day of the fiscal year. The other 12,963 shares will be forfeited if ASI's pre-tax income for the year does not exceed the threshold

stated below:

<TABLE>
<CAPTION>

Year	Threshold
1996	\$ 750,000
1997	1,500,000
1998	2,500,000

</TABLE>

The shares granted under the ASI Program are restricted from transfer, which restriction will lapse, with respect to 33% of such shares on April 15, 1997. The restriction will lapse with respect to each additional 33% of such number of shares on April 15 of each successive year. The restriction will also lapse as to all shares granted to a Grantee on the first to occur of (i) the termination of that Grantee's employment with the Company by reason of his disability, (ii) the Grantee's death, (iii) termination of the Grantee's employment by the Company without good reason, or (iv) a change of control of the Company.

There is no requirement under law for the Company's Board of Directors to obtain stockholder approval of the Program or the ASI Program (collectively, the "Programs"). Accordingly, the Board did not seek such approval. The failure to obtain stockholder approval will adversely affect the Company only if in any year the total compensation paid by the Company to any of its officers (including taxable "compensation" occurring by reason of the lapse of restrictions on shares granted under the Programs) exceeded \$1,000,000. In that case, the Company would not be able to take a deduction on its tax return for the excess compensation by reason of its failure to obtain stockholder approval of the Programs. The Board of Directors decided, however, that the likelihood of total compensation to any officer exceeding \$1,000,000 is sufficiently small that it did not warrant obtaining stockholder approval for the Programs.

INCENTIVE STOCK OPTION PLAN

The Company formerly had in place a stock option plan which terminated on September 1, 1995. Options for a total of 5,500 shares were granted under such plan, of which 4,666 were exercised and 834 were cancelled.

PROFIT SHARING PLAN

In August 1985, the Company's Board of Directors adopted a Profit Sharing Plan and Trust (the "Plan") which is open generally to Company employees, including its officers. The Plan provides that the Company may make contributions in amounts up to 15% of total eligible participants' compensation. Employees may

35

also elect to contribute up to 10% of compensation paid during the period of participation in the Plan, subject to certain conditions. Participants' interests become fully vested upon their retirement, death or disability. Upon termination of employment for any other reason, a vested interest of a participant is based upon the schedule contained in the Plan. The Plan is intended to qualify as a tax-exempt plan and trust under Sections 401 and 501 of the Code. To date, no contributions have been made under the Plan.

CERTAIN TRANSACTIONS

In connection with a public offering of the Company's securities in February 1995, Argent, the underwriter of such offering, was issued a warrant to purchase 17,000 shares of Series A Preferred Stock, convertible into an aggregate of 48,167 shares of Common Stock, exercisable at a price of \$5.76 per share of Common Stock until February 20, 1999. In addition Argent holds additional options and warrants to purchase an aggregate of 8,333 shares of Common Stock, exercisable at prices ranging from \$4.50 to \$5.76 per share, until February 20, 1999, which securities were issued in 1994 and 1995, in connection with the provision of certain investor relations and corporate communication services provided to the Company, and the waiver of certain rights contained in the underwriting agreement executed by Argent and the Company.

From time to time prior to December 1994, the Company received working capital loans from Camelot Consultants, Inc. ("Camelot"), a corporation owned at the time by Michael Margolies, Chairman and Chief Executive Officer of the Company, and Jay Owen Margolies, a director of the Company, and members of

their respective families. At December 31, 1993, the outstanding balance of such loans was approximately \$756,000 evidenced by a promissory note bearing interest at 10.8% per annum payable in monthly installments of \$25,000. An additional \$164,000, bearing interest at 10% per annum payable in monthly installments of \$4,650, was owed to Camelot in connection with the Company's assumption of certain obligations upon the acquisition of one of its transportation service subsidiaries. In 1994, Camelot transferred its notes receivable to its stockholders. In December 1994, the aggregate outstanding balance of approximately \$708,000 of such notes was consolidated into a single loan obligation bearing interest at 15% per annum payable in weekly installments of \$10,000. At June 30, 1996, the remaining balance was approximately \$689,000. It is anticipated that such amount will be repaid from the Company's cash flow from operations and not the proceeds of the Offering.

In December 1994, the Company acquired all of the outstanding capital stock of Camelot from the Margolies family in exchange for the issuance of 180,000 shares of Series C Preferred Stock. See "Principal Stockholders" and "Description of Securities-Preferred Stock." An independent appraisal undertaken at the time valued Camelot at \$1,488,750.

On September 1, 1993 the Company's former wholly-owned subsidiary, Suncoast Holdings, Inc., entered into a joint venture with SSTC to operate a business called Suncoast Transportation in Tampa, Florida. SSTC is wholly-owned by Thomas Hastings, who was at that time a Vice President of the Company. The Company gave SSTC a promissory note for \$132,000 as consideration for its interest in the joint venture to which SSTC transferred all of its assets. On September 1, 1994 the Company purchased from SSTC its interest in the other 50% of Suncoast Transportation, and agreed to issue as consideration 62,500 shares of the Company's Common Stock. Substantially all of the assets of the Suncoast Holdings, Inc. were subsequently sold.

The holders of the Series C Preferred Stock (i.e. members of the Margolies Family) have guaranteed that if the Company realizes a loss on the resale of any assets acquired by the Company as a result of its acquisitions of Camelot and Suncoast Transportation, they will surrender shares of the Series C Preferred Stock with a face value equal to the amount of the loss. In March 1995, the Company sold a substantial portion of the assets (including buses) of Suncoast Transportation for \$70,000 in cash and notes in the principal amount of \$592,000. In October 1995, the Company sold a substantial portion of the assets (including buses) of its Toledo, Ohio based charter operations for various notes totalling approximately \$1,250,000.

Pursuant to the terms upon which the Company purchased ATAB in October 1994, the previous stockholders of ATAB (the "ATAB Stockholders") were entitled to receive a continuing profit participation

36

from the business of ATAB, option to purchase an aggregate of 36,666 shares of Common Stock at \$3.00 per share over a period of four years and aggregate consulting fees of \$850,000. In June 1996, in exchange for the foregoing profit participation, options and consulting fees, the Company issued an aggregate of 75,000 shares of Common Stock to the ATAB Stockholders.

In August 1994, the Company issued an aggregate of 183,333 shares of Common Stock to Michael Margolies, Jay Owen Margolies and Terry Watkins, pursuant to the Program. See "Management - Restricted Stock Grant Programs." Such shares are subject to forfeiture in the event the Company fails to attain certain revenues and earnings levels.

The Company believes that the terms of all of the foregoing transactions were no less favorable to the Company than those which could have been obtained from non-affiliated parties. Any future transactions between the Company and its affiliates will be approved by a majority of the disinterested directors and will be on terms no less favorable to the Company than those which could be obtained from unrelated third parties.

37

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock by (i) each stockholder known by the Company to be a beneficial owner of more than 5% of the outstanding Common Stock, (ii) each director of the Company, and (iii) all directors and officers as a group. Except as otherwise indicated, the Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by such owner, have sole investment and voting power with respect

to such shares.

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner+	Shares of Common Stock Beneficially Owned(1)	Percentage of Common Stock Owned		Shares of Series C Preferred Stock Beneficially Owned	Percentage of Outstanding Series C Preferred Stock	Aggregate Voting Power	Aggregate Percentage of Voting Power After Offering
		Before Offering	After Offering				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Michael Margolies(2)	202,416	5.8%	3.7%	156,600(3)	87%	724,416	12.1%
Jay Owen Margolies(2)	63,754	1.9%	1.2%	23,400	13%	141,755	2.6%
K. Thomas Wegerbauer	1,000	*	*	--	--	1,000	*
Margolies Family Trust(4) .	--	--	--	90,000	50%	300,000	5.2%
Stanley Chason	--	--	--	--	--	--	--
Robert I. Blackman	--	--	--	--	--	--	--
All executive officers and directors as a group (6 persons)(1)	276,503	8.1%	5.1%	180,000	100%	876,503	14.5%

</TABLE>

* Less than 1%

+ The address of each named person is c/o the Company, 33 West Main Street, Elmsford, New York 10523.

- (1) Include shares of Common Stock issued pursuant to the Restricted Stock Grant Program as follows: Michael Margolies - 133,333 shares, Jay Owen Margolies - 40,666 shares, Terry A. Watkins - 9,333 shares. See "Management - Restricted Stock Grant Programs."
- (2) Michael Margolies and Jay Owen Margolies are father and son. Each, however, specifically disclaims any present ownership interest in the securities of the Company owned by the other.
- (3) Includes 90,000 shares of Series C Preferred Stock owned by the Margolies Family Trust. Michael Margolies disclaims beneficial ownership of said shares.
- (4) The trustee of the Margolies Family Trust is Elaine Margolies, wife of Michael Margolies. The beneficiaries of the Margolies Family Trust are Mrs. Margolies and children of Michael Margolies.

DESCRIPTION OF SECURITIES

The total authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, \$.01 par value per share and 10,000,000 shares of Preferred Stock, \$.01 par value per share. The following descriptions of the capital stock are qualified in all respects by reference to the Certificate of Incorporation and By-laws of the Company, copies of which are filed as Exhibits to the Registration Statement of which this Prospectus is a part.

As of the date hereof, 3,345,702 shares of Common Stock were issued and outstanding, and 180,000 shares of Preferred Stock were issued and outstanding.

UNITS

Each Unit offered hereby consists of one share of Common Stock and one Class C Warrant. The Common Stock and the Class C Warrants contained in the Units will not be detachable or separately transferable for a period of 45 days from the Effective Date, or sooner with the consent of the Representative.

COMMON STOCK

The holders of outstanding shares of Common Stock are entitled to share

ratably on a share-for-share basis with respect to any dividends when, as and if declared by the Board of Directors out of funds legally available therefor. Each holder of Common Stock is entitled to one vote for each share held of record and are

not entitled to cumulative voting rights. The Common Stock is not entitled to conversion or preemptive rights and is not subject to redemption. Upon liquidation, dissolution or winding up of the Company, and subject to the prior rights of holders of the Company's Preferred Stock, the holders of Common Stock are entitled to receive pro rata all of the net assets of the Company available for distribution to its stockholders. All outstanding shares of Common Stock are, and the shares of Common Stock offered hereby will upon issuance be, fully paid and nonassessable.

CLASS C WARRANTS

Each Class C Warrant entitles its holder to purchase one share of Common Stock at an exercise price of \$____ per share, subject to adjustment, commencing on September 27, 1996 through August 27, 1999.

The Class C Warrants will be issued pursuant to a warrant agreement (the "Warrant Agreement") among the Company, the Underwriters and Continental Stock Transfer & Trust Co., the warrant agent, and will be evidenced by warrant certificates in registered form.

The exercise price of the Class C Warrants and the number and kind of shares of Common Stock or other securities and property issuable upon exercise of the Class C Warrants are subject to adjustment in certain circumstances, including stock splits, stock dividends, or subdivisions, combinations or reclassifications or upon issuance of shares of Common Stock at prices lower than the market price of the Common Stock, with certain exceptions. Additionally, an adjustment will be made upon the sale of all or substantially all of the assets of the Company in order to enable holders of Class C Warrants to purchase the kind and number of shares of stock or other securities or property (including cash) receivable in such event by a holder of the number of shares of Common Stock that might otherwise have been purchased upon exercise of the Class C Warrants.

The Class C Warrants do not confer upon the holder any voting or any other rights of a stockholder of the Company. Upon notice to the holders of Class C Warrants, the Company has the right to reduce the exercise price or extend the expiration date of the Class C Warrants.

Class C Warrants may be exercised upon surrender of the Class C Warrant certificate evidencing those Class C Warrants on or prior to the expiration date (or earlier redemption date) of the Class C Warrants to the Warrant Agent, with the form of "Election to Purchase" on the reverse side of the warrant certificate completed and executed as indicated, accompanied by payment of the full exercise price (in the United States funds, by cash or certified bank check payable to the order of the Warrant Agent) for the number of Class C Warrants being exercised.

No fractional shares will be issued upon exercise of the Class C Warrants. However, if a holder of a Class C Warrant exercises all Class C Warrants then owned of record by him, the Company will pay to that holder, in lieu of the issuance of any fractional share which would be otherwise issuable, an amount in cash based on the market value of the Common Stock on the last trading day prior to the exercise date.

No Class C Warrant will be exercisable unless at the time of exercise the Company has filed with the Commission a current prospectus covering the issuance of shares of Common Stock issuable upon exercise of the Class C Warrant and the issuance of shares has been registered or qualified or is deemed to be exempt from registration or qualification under the securities laws of the state of residence of the prospectus relating to the issuance of shares of Common Stock upon the exercise of the Class C Warrants until the expiration of the Warrants, subject to the terms of the Warrant Agreement. While it is the Company's intention to maintain a current prospectus, there is no assurance that it will be able to do so.

The Class C Warrants are redeemable, in whole or in part, by the Company at a price of \$.01 per Class C Warrant, upon 10 days prior written notice to the registered holders of the Class C Warrants if the closing bid price or last sale price per share of the Common Stock (if the Common Stock is then traded on Nasdaq or another national securities exchange, respectively) on each of the ten consecutive trading days, ending on the third business day

prior to the date of any redemption notice, equals or exceeds at least \$ _____ (135% of the then exercise price) (subject to adjustment in certain events). The Class C Warrants shall be exercisable until

39

the close of the business day preceding the date fixed for redemption. In addition, subject to the rules of the NASD, the Company has agreed to engage the Underwriters as warrant solicitation agents, in connection with which they would be entitled to a 5% fee upon exercise of the Class C Warrants. See "Underwriting."

PREFERRED STOCK

The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by the Board of Directors, without further action by stockholders, and may include voting rights (including the right to vote as a series on particular matters), preferences as to dividends and liquidation, conversion rights, redemption rights and sinking fund provisions. The issuance of any such preferred stock could adversely affect the rights of the holders of Common Stock and, therefore, reduce the value of the Common Stock. The ability of the Board of Directors to issue preferred stock could discourage, delay or prevent a takeover of the Company. The Company does not have any current plans to issue any preferred stock, except for the 180,000 shares of Series C Preferred Stock currently outstanding. The Series C Preferred Stock has a liquidation preference of \$10.00 per share. Each share of Series C Preferred Stock is entitled to 3.333 votes on each matter voted upon by holders of Common Stock. At any time after January 1, 2000, the Company may redeem each share of Series C Preferred Stock at \$10.00 per share. See "Risk Factors -- Preferred Stock."

TRANSFER AGENT AND CLASS C WARRANT AGENT

The transfer agent and registrar for the Common Stock and the warrant agent for the Class C Warrants is Continental Stock Transfer & Trust Co.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of Common Stock by existing stockholders pursuant to Rule 144 under the Securities Act, pursuant to the Concurrent Offering or otherwise, could have an adverse effect on the market price of the Company's securities. Pursuant to the Concurrent Offering, 211,111 additional shares of Common Stock have been registered for resale concurrently with the Offering. In addition, a warrant was issued to Argent in connection with the February 1995 public offering by the Company, to acquire 17,000 shares of Series A Preferred Stock which stock is convertible into 48,167 shares of Common Stock, and other options and warrants are held by Argent to purchase an aggregate of 8,333 shares of Common Stock.

Of the 3,226,258 shares of Common Stock of the Company outstanding as of June 30, 1996, 667,170 shares are restricted securities, as that term is defined in Rule 144 promulgated under the Securities Act. Absent registration under the Securities Act, the sale of such restricted shares is subject to Rule 144, as promulgated under the Securities Act. In general, under Rule 144, subject to the satisfaction of certain other conditions, a person, including an affiliate of the Company, who has beneficially owned restricted shares of Common Stock for at least two years is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the total number of outstanding shares of the same class, or if the Common Stock is quoted on Nasdaq, the average weekly trading volume during the four calendar weeks preceding the sale. A person who has not been an affiliate of the Company for at least three months immediately preceding the sale and who has beneficially owned the shares of Common Stock for at least three years is entitled to sell such shares under Rule 144 without regard to any of the volume limitations described above. The Company's officers, directors and holders of more than 5% of outstanding Common Stock have agreed not to sell their shares for a period of 12 months from the Effective Date without the prior consent of the Underwriters. No assurance can be made as to the effect, if any, that sales of shares of Common Stock or the availability of such shares for sale will have on the market prices prevailing from time to time. Nevertheless, the possibility that substantial amounts of Common Stock may be sold in the public market may adversely affect prevailing market prices for the Common Stock and could impair the Company's ability to raise capital in the future through the sale of equity securities.

40

UNDERWRITING

The Underwriters have agreed, subject to the terms and conditions of the underwriting agreement between the Company and the Representative (the "Underwriting Agreement"), to purchase from the Company the 2,000,000 Units offered hereby and to purchase from the Selling Securityholders 115,000 Units offered hereby on a firm commitment basis, if any are purchased.

The Underwriters have severally agreed to purchase from the Company the number of Units set forth opposite their respective names:

<TABLE>
<CAPTION>

Name of Underwriter -----	Number of Units -----
<S>	<C>
First London Securities Corporation	
Total	2,115,000 =====

</TABLE>

The Representative advised the Company that the Underwriters propose to offer the Units to the public at the offering price set forth on the cover page of this Prospectus and to selected dealers who are members of the NASD, at such prices less concessions of not in excess of \$[] per Unit, of which a sum not in excess of \$[] per Unit may in turn be reallocated to other dealers who are members of the NASD, including the Underwriters. After the commencement of the Offering, the public offering price, the concession and the reallocation may be changed by the Underwriters.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act. The Company has also agreed to pay to the Underwriters a non-accountable expense allowance equal to 2% of the gross proceeds derived from the sale of Units offered by the Company hereby, including any Units purchased pursuant to the Over-allotment option, \$62,500 of which has been paid to date.

The Company has granted to the Representative an option exercisable during the 45-day period commencing on the date of this Prospectus, to purchase from the Company at the public offering price, less underwriting discounts, up to 300,000 additional Units solely for the purpose of covering over-allotments, if any.

Holders of 576,504 shares of Common Stock (including all of the Company's officers and directors) have agreed not to sell, assign, transfer or otherwise dispose publicly of any of their shares of Common Stock for a period of 12 months from the date of this Prospectus without the prior written consent of the Representative, which consent shall not be unreasonably withheld.

The Company has agreed not to solicit Class C Warrant exercises other than through the Representative, unless the Representative decline to make such solicitation. Upon any exercise of the Class C Warrants after the first anniversary of the date of this Prospectus, the Company will pay the Representative a fee of 5% of the aggregate exercise price of the Class C Warrants, if (i) the market price of the Common Stock on the date the Class C Warrants are exercised is greater than the then exercise price of the Warrants; (ii) the exercise of the Class C Warrants was solicited by a member of the NASD designated in writing by the holders of such Class C Warrants as having solicited the exercise; (iii) the Class C Warrants are not held in a discretionary account; (iv) disclosure of compensation arrangements was made both at the time of the Offering and at the time of exercise of the Class C Warrants; and (v) the solicitation of exercise of the Class C Warrant was not in violation of Rule 10b-6 promulgated under the Exchange Act.

Rule 10b-6 may prohibit the Underwriters from engaging in any market making activities with regard to the Company's securities for the period from nine business days (or such other applicable period as Rule 10b-6 may provide) prior to any solicitation by the Underwriters of the exercise of Class C Warrants until the later of the termination of such solicitation activity or the termination (by waiver or otherwise) of any right that the Underwriters may have to receive a fee for the exercise of Class C Warrants following such solicitation. As a result, the Underwriters may be unable to provide a market for the Company's securities during certain periods while the Class C Warrants are exercisable.

The Company has agreed to sell to the Underwriters and their designees, for nominal consideration, the Representative's Unit Purchase Option to purchase up to 200,000 Units, substantially identical to the Units being offered hereby except that the Class C Warrants included therein are subject to redemption by the Company at any time after the Unit Purchase Option has been exercised and the underlying warrants are outstanding. The Representative's Unit Purchase Option is exercisable during the four-year period commencing one year from the date of this Prospectus at an exercise price of \$___ per Unit, subject to adjustment in certain events to protect against dilution, and is not transferable for a period of one year from the date of this Prospectus except to officers of the Underwriters or to members of the selling group. The Company has agreed to register during the four-year period commencing one year from the date of this Prospectus, the securities issuable upon exercise thereof under the Securities Act, the initial such registration to be at the Company's expense and the second at the expense of the holders. The Company has also granted certain "piggy-back" registration rights to holders of the Representative's Unit Purchase Option.

Prior to the Offering, there has been no public market for the Units or the Class C Warrants. Consequently, the offering price of the Units and the exercise price and other terms of the Class C Warrants have been determined by negotiation between the Company and the Underwriters and are not related to the Company's asset value, earnings, book value or other such criteria of value. Factors considered in determining the offering price of the Units and the exercise price and other terms of the Class C Warrants include principally, the prospects for the industry in which the Company operates, the Company's management, the general condition of the securities markets, the demand for securities in similar industries and the current trading price of the Common Stock.

The following table sets forth the number of Units to be offered for sale by each Selling Securityholder. Except for the Common Stock and Class C Warrants, the Selling Securityholders have no beneficial ownership of the Company's securities and upon the sale of all securities offered, will have no beneficial ownership of the Company's securities.

<TABLE>
<CAPTION>

	Units	Shares of Common Stock Issuable Upon Exercise of Class C Warrants
<S>	-----	-----
Stanley & Barbara Chason	16,772	10,800
Richard & Ida Brooks ..	2,396	2,396
Fred Meyers	2,396	2,396
Joseph E. Franklin	2,396	2,396
Mitchel Kersch	4,792	4,792
Neil Anderson	2,396	2,396
Herbert Cyrlin	2,396	2,396
Jerry Gunn	7,188	7,188
Leif Zipkin	2,396	2,396
K&K Realty	1,192	1,192
Geoffrey DeBelloy	2,396	2,396
Greg Supinsky	2,396	2,396
Albert Kula	2,396	2,396
Michael Miller	2,396	2,396
Bruce & Linda Pollekoff .	2,396	2,396
Robert Wiendehorn	2,396	2,396
Andrew Green	2,396	2,396
Arthur Luxenberg	4,792	4,792
CLFS Equities	7,188	7,188
The Earnest Group	2,396	2,396
Lawrence Michels	2,396	2,396
Dean F. Morehouse	2,396	2,396
Allen Notowitz	2,396	2,396
Nat Compton	2,396	2,396

	Units	Shares of Common Stock Issuable Upon Exercise of Class C Warrants
	-----	-----
Wayne Saker	3,592	3,592
Anthony & Vivian Cuccia .	1,192	1,192
Camilla Bellick	2,396	2,396
Walter Browning	1,192	1,192
Irwin Simon	2,396	2,396
Mitchell Kersch	2,396	2,396
Perry Weitz	2,396	2,396
Emjay Corp.	2,396	2,396
Moshe & Dan Levy JTWROS .	7,188	7,188
Laurence Friedman	4,792	4,792

</TABLE>

CONCURRENT OFFERING

The registration statement of which this Prospectus forms a part also includes a prospectus with respect to an offering by the Selling Securityholders. An aggregate of 211,111 shares of Common Stock may be sold by other stockholders. The Company will not receive any proceeds from the sale of the Selling Securityholder Securities. Sales of securities by Selling Securityholders or even the potential of such sales could have an adverse effect on the market prices of the Units, the Common Stock and the Class C Warrants.

There are no material relationships between any of the Selling Securityholders and the Company, nor have any such material relationships between any of the Selling Securityholders and the Company existed within the past three years. The Company has been informed by the Underwriters that there are no agreements between the Underwriters and any Selling Securityholder regarding the distribution of the Selling Securityholder Securities.

The sale of the securities by the Selling Securityholders may be effected from time to time in transactions (which may include block transactions by or for the account of the Selling Securityholders) in the over-the-counter market or in negotiated transactions, a combination of such methods of sale or otherwise. Sales may be made at fixed prices which may be changed, at market prices or in negotiated transactions, a combination of such methods of sale or otherwise.

Selling Securityholders may effect such transactions by selling their securities directly to purchasers, through broker-dealers acting as agents for the Selling Securityholders or to broker-dealers who may purchase shares as principals and thereafter sell the securities from time to time in the over-the-counter market, in negotiated transactions or otherwise. Such broker-dealers, if any, may receive compensation in the form of discounts, concessions or commissions from the Selling Securityholders and/or the purchasers from whom such broker-dealer may act as agents or to whom they may sell as principals or otherwise.

Certain of the Selling Securityholders may purchase Units in the Offering. In such event, each such Selling Securityholder will be required to represent to the Company and the Underwriters that he is purchasing the Units for investment purposes and not with a view toward resale.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the Selling Securityholder's Securities may not simultaneously engage in market-making activities with respect to any securities of the Company during the applicable "cooling-off" period (at least two and possibly nine business days) prior to the commencement of such distribution. Accordingly, in the event the Underwriters are engaged in a distribution of the Selling Securityholder securities, none of such firms will be able to make a market in the Company's securities during the applicable restrictive period. However, the Underwriters have not agreed to nor are any of them obligated to act as broker-dealer in the sale of the Selling Securityholder securities. In addition, each Selling Securityholder desiring to sell will be subject to the applicable provisions of the Exchange Act and the rules and regulations thereunder, including without limitation Rules 10b-6 and 10b-7, which provisions may limit the timing of the purchases and sales of shares of the Company's securities by such Selling Securityholder.

The Selling Securityholders and broker-dealers, if any, acting in connection with such sales might be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act and any commission received by them and any profit on the resale of the securities might be deemed to be underwriting discount and commissions under the Securities Act.

LEGAL OPINIONS

Certain legal matters with respect to the issuance of the securities offered hereby will be passed upon for the Company by Schneck Weltman Hashmall & Mischel LLP, New York, New York. Winstead Sechrest & Minick P.C., Dallas, Texas, has acted as counsel for the Underwriters in connection with the Offering.

EXPERTS

The Consolidated Financial Statements included in this Prospectus and elsewhere in the Registration Statement as of December 31, 1995 and for the year then ended have been audited by Mahoney Cohen Rashba & Pokart, CPA, PC, independent public accountants as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report. The Consolidated Financial Statements included in this Prospectus and elsewhere in the Registration Statement for the year ended December 31, 1994 have been audited by Moore Stephens, P.C. (formerly Mortenson and Associates, P.C.), independent public accountants as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

On January 9, 1996, the Company, by action of the Board of Directors, dismissed Moore Stephens, P.C. (formerly Mortenson and Associates, P.C.) from its engagement as the Registrant's principal accountant to audit the Registrant's financial statements for the year ended December 31, 1995.

The report of Mortenson and Associates, P.C. on the Company's financial statements for the years ended December 31, 1994 and 1993 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles. There had been no disagreement on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to Moore Stephens, P.C.'s (formerly Mortenson and Associates, P.C.) satisfaction, would have caused Moore Stephens, P.C. (formerly Mortenson and Associates, P.C.) to make reference in connection with its reports to the subject matter of the disagreement.

ADDITIONAL INFORMATION

The Company has filed with the Commission, a Registration Statement on Form SB-2 with respect to the securities being offered hereby. This Prospectus does not contain all the information set forth in such Registration Statement, as permitted by the Rules and Regulations of the Commission. For further information with respect to the Company and such securities, reference is made to the Registration Statement and to the exhibits and schedules filed therewith. Each statement made in this Prospectus referring to a document filed as an exhibit to the Registration Statement is qualified by reference to the exhibit for a complete statement of its terms and conditions. The Registration Statement, including exhibits thereto, may be inspected, without charge, by anyone at the principal office of the Commission in Washington, D.C. and copies of all or any part thereof may be obtained from the Commission's principal office, Public Reference Room of the Securities and Exchange Commission, Room 1024, 450 Fifth Street N.W., Washington D.C. 20549, and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and 50 West Madison Street, Suite 1400, Chicago, Illinois 60661, upon payment of the Commission's charge for copying.

AVAILABLE INFORMATION

The Company has filed with the Commission, Washington, D.C., a Registration Statement on Form SB-2 under the Securities Act with respect to the securities offered by this Prospectus. For further information with respect to the securities offered hereby, reference is made to the Registration Statement and to the exhibits listed in the Registration Statement.

The Company is subject to the information requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Commission. Reports, Proxy Statements and other information can be inspected and copies made at the public reference facilities of the Commission, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as the following Regional Offices: 7 World Trade Center, New York, New York, 10007, and Room 1204 Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois, 60604. Copies can also be obtained at prescribed rates from the Commission's Public Reference Section, Judiciary Plaza, 450 Fifth Avenue, N.W., Washington, D.C. 20549.

The Commission maintains a World Wide Web Site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

U. S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<TABLE> <CAPTION>	Pages	<C>

<S>		
Independent Auditors' Report		F-2
Consolidated Balance Sheets as of December 31, 1995 and June 30, 1996 (Unaudited)		F-4
Consolidated Statements of Operations for the Years Ended December 31, 1994 and 1995 and the Six Months Ended June 30, 1995 and 1996 (Unaudited)		F-6
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1994 and 1995 and the Six Months Ended June 30, 1996 (Unaudited)		F-7
Consolidated Statements of Cash Flows for the Years Ended December 31, 1994 and 1995 and the Six Months Ended June 30, 1995 and 1996 (Unaudited)		F-10
Notes to Consolidated Financial Statements		F-13
</TABLE>		

F-1

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors
U.S. Transportation Systems, Inc.

We have audited the accompanying consolidated balance sheet of U.S. Transportation Systems, Inc. and subsidiaries as of December 31, 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Transportation Systems, Inc. and subsidiaries as of December 31, 1995, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

MAHONEY COHEN RASHBA & POKART, CPA, PC

New York, New York
March 30, 1996

F-2

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors of
 U.S. Transportation Systems, Inc.
 New York, New York

We have audited the accompanying statements of operations, stockholders' equity, and cash flows of U.S. Transportation Systems, Inc. and its subsidiaries for the year ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of U.S. Transportation Systems, Inc. and its subsidiaries for the year ended December 31, 1994, in conformity with generally accepted accounting principles.

MORTENSON AND ASSOCIATES,
 P.C.
 Certified Public Accountants.

Cranford, New Jersey
 March 29, 1995

F-3

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

<TABLE>
 <CAPTION>

	December 31, 1995	June 30, 1996

	(Unaudited)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,727,789	\$ 1,427,404
Cash -- restricted	165,753	147,178
Accounts receivable, net of allowance for doubtful accounts of \$321,000 and \$321,000 (Note 3)	2,850,858	3,896,922
Notes receivable	368,367	343,374
Net investment in sales-type leases (Note 2)	572,214	571,810
Inventories (Note 1)	976,903	920,189
Costs and estimated earnings in excess of billings (Note 17)	243,295	1,115,060
Prepaid and other assets	873,749	829,491
	-----	-----
TOTAL CURRENT ASSETS	7,778,928	9,251,428
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Revenue equipment (Notes 3 and 4)	3,064,587	7,740,064
Other	3,179,675	2,989,831
	-----	-----
Total -- at cost	6,244,262	10,729,895
Less: Accumulated depreciation	(2,693,604)	(2,972,890)
	-----	-----
PROPERTY, PLANT AND EQUIPMENT-- NET	3,550,658	7,757,005
	-----	-----
ASSETS HELD FOR RESALE (Note 14)	152,500	55,953
	-----	-----
OTHER ASSETS:		
Net investment in sales-type leases (Note 2)	2,021,326	2,019,898
Goodwill, net of accumulated amortization of \$264,452 and \$587,298 (Note 1)	5,039,692	4,949,346
Other intangible assets, net of accumulated amortization of \$65,800 and \$80,621 (Note 1)	326,767	386,946
Notes receivable	413,105	385,077
Deferred taxes (Note 6)	750,000	750,000
Other assets	853,515	1,511,115
	-----	-----
TOTAL OTHER ASSETS	9,404,405	10,002,382
	-----	-----

TOTAL ASSETS \$20,886,491 \$27,066,768
=====

</TABLE>

See notes to consolidated financial statements.

F-4

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 1995	June 30, 1996
	-----	-----
		(Unaudited)
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Cash overdraft	\$ --	\$ 1,056,578
Notes payable (Notes 3 and 4)	3,230,336	4,713,633
Accounts payable	1,873,362	1,544,397
Accrued liabilities	650,407	629,453
Billings in excess of costs and estimated earnings (Note 17) .	354,512	128,551
Due to related party (Note 9)	254,050	429,960
	-----	-----
TOTAL CURRENT LIABILITIES	6,362,667	8,502,572
	-----	-----
LONG-TERM OBLIGATIONS, NET OF CURRENT MATURITIES:		
Notes payable (Note 4)	1,121,034	2,984,348
Convertible debentures (Note 18)	1,776,288	--
Due to related party (Note 9)	348,245	258,956
	-----	-----
TOTAL LONG-TERM OBLIGATIONS, NET OF CURRENT MATURITIES	3,245,567	3,243,304
	-----	-----
COMMITMENTS AND CONTINGENCIES (NOTES 5, 10, 11, 19)		
STOCKHOLDERS' EQUITY (Notes 11 and 20):		
Preferred stock -- par value \$0.01 per share, redemption value \$10.00 per share: Authorized -- 10,000,000 shares Issued and outstanding -- 180,000 shares	1,800,000	1,800,000
Common stock -- par value \$0.01 per share: Authorized -- 20,000,000 and 50,000,000 shares Issued and outstanding -- 13,392,209 and 19,357,545 shares	133,922	193,575
Additional paid-in capital	16,944,909	19,882,272
Stock subscription receivable	(290,285)	(37,785)
Deferred compensation (Note 11)	(658,504)	(604,018)
Retained earnings (deficit)	(6,651,785)	(5,913,152)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	11,278,257	15,320,892
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$20,886,491	\$27,066,768
	=====	=====

</TABLE>

See notes to consolidated financial statements.

F-5

U. S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Years Ended December 31,		Six Months Ended June 30,	
	1994	1995	1995	1996
	-----	-----	-----	-----
			(Unaudited)	
<S>	<C>	<C>	<C>	<C>
REVENUES	\$11,818,325	\$17,350,973	\$7,086,473	\$13,718,768
	-----	-----	-----	-----
EXPENSES:				
Cost of goods sold	--	2,268,418	797,829	3,673,512
Operating expenses	6,971,440	7,451,745	3,656,020	5,007,902
Selling, general and administrative	3,456,278	4,804,429	1,682,526	2,720,917
Depreciation	437,483	638,101	181,626	499,657
Rent expense	134,684	463,660	109,547	535,865

Amortization of intangible assets .	74,900	193,875	51,113	337,666
TOTAL EXPENSES	11,074,785	15,820,228	6,478,661	12,775,519
INCOME FROM OPERATIONS	743,540	1,530,745	607,812	943,249
OTHER INCOME (EXPENSES):				
Interest expense	(211,510)	(350,024)	(151,955)	(280,893)
Interest income	125,659	276,057	98,137	134,882
Gain (loss) on sales of assets ...	(25,750)	(419,775)	(157,060)	55,828
Write off of notes receivable	--	(75,796)	--	--
Other expense	62,735	(34,090)	8,038	(18,583)
TOTAL OTHER EXPENSES, NET	(48,866)	(603,628)	(202,840)	(108,766)
INCOME FROM CONTINUING OPERATIONS BEFORE				
INCOME TAXES	694,674	927,117	404,972	834,483
INCOME TAX EXPENSE (BENEFIT)	(63,811)	(364,000)	--	--
INCOME FROM CONTINUING OPERATIONS ..	758,485	1,291,117	404,972	834,483
DISCONTINUED OPERATIONS -- adjustment				
of estimated loss on disposal of				
segment, net of income tax benefit of				
\$236,189 and \$86,000 in December 31,				
1994 and 1995 (Note 14)	(853,480)	(167,199)	--	--
NET INCOME (LOSS)	(94,995)	1,123,918	404,972	834,483
LESS: PREFERRED DIVIDEND	--	191,700	95,850	95,850
NET INCOME (LOSS) APPLICABLE TO COMMON				
SHAREHOLDERS	\$ (94,995)	\$ 932,218	\$ 309,122	\$ 738,633
EARNINGS (LOSS) PER COMMON SHARE:				
Income from continuing operations .	\$.11	\$.10	\$.05	\$.04
Discontinued operations	(.12)	(.01)	--	--
EARNINGS (LOSS) PER COMMON SHARE ...	\$ (.01)	\$.09	\$.05	\$.04
WEIGHTED AVERAGE COMMON SHARES				
OUTSTANDING	6,989,933	10,941,525	6,855,252	17,708,489

</TABLE>

See notes to consolidated financial statements.

F-6

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1994 AND 1995 AND
SIX MONTHS ENDED JUNE 30, 1996 (UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock		Preferred Stock	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1993	6,153,240	\$61,532	--	\$ --
Net proceeds from exercise of				
warrants	17,950	180	--	--
Common stock issued in connection				
with purchase of Suncoast				
Transportation	375,000	3,750	--	--
Preferred stock issued in connection				
with purchase of Camelot				
Consultants, Inc.	(327,000)	(3,270)	180,000	1,800,000
Restricted stock grant issuance	1,100,000	11,000	--	--
Stock options issued	--	--	--	--
Other	14,000	140	--	--
Net loss	--	--	--	--
Balance, December 31, 1994				
(carried forward)	7,333,190	\$73,332	180,000	\$1,800,000

</TABLE>

(RESTUBBED TABLE CONTINUED FROM ABOVE)

<TABLE>

<CAPTION>

	Additional Paid-In Capital	Stock Sub- scription Receivable	Deferred Compen- sation	Retained Earnings (Deficit)	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1993	\$13,610,693	\$ --	\$ --	\$ (7,460,268)	\$6,211,957
Net proceeds from exercise of warrants	44,695	--	--	--	44,875
Common stock issued in connection with purchase of Suncoast Transportation	114,632	--	--	--	118,382
Preferred stock issued in connection with purchase of Camelot Consultants, Inc.	(1,116,273)	--	--	--	680,457
Restricted stock grant issuance	814,000	--	(780,803)	--	44,197
Stock options issued	34,376	--	(30,556)	--	3,820
Other	6,860	--	--	--	7,000
Net loss	--	--	--	(94,995)	(94,995)
Balance, December 31, 1994 (carried forward)	\$13,508,983	\$ --	\$ (811,359)	\$ (7,555,263)	\$7,015,693

</TABLE>

F-7

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
YEARS ENDED DECEMBER 31, 1994 AND 1995 AND
SIX MONTHS ENDED JUNE 30, 1996 (UNAUDITED)

<TABLE>

<CAPTION>

	Common Stock		Preferred Stock	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1994 (brought forward)	7,333,190	\$ 73,332	180,000	\$ 1,800,000
Preferred stock issuance	--	--	170,000	2,040,000
Preferred stock conversion	2,550,000	25,500	(170,000)	(2,040,000)
Restricted stock grant issuance .	--	--	--	--
Stock options issued	--	--	--	--
Preferred dividends	57,480	575	--	--
Common stock issued in connection with purchase of Armstrong Freight Express	780,000	7,800	--	--
Common stock issued in connection with purchase of Trans-Lynx Express	116,539	1,165	--	--
Common stock issued in connection with purchase of Automated Solutions	1,800,000	18,000	--	--
Common stock issued in exchange for consulting services	335,000	3,350	--	--
Common stock issued in connection with contract settlement	50,000	500	--	--
Stock options exercised	370,000	3,700	--	--
Net income	--	--	--	--
Balance, December 31, 1995	13,392,209	\$133,922	180,000	\$ 1,800,000

</TABLE>

(RESTUBBED TABLE CONTINUED FROM ABOVE)

<TABLE>

<CAPTION>

Additional	Stock Sub-	Deferred	Retained
------------	------------	----------	----------

	Paid-In Capital	scription Receivable	Compen- sation	Earnings (Deficit)	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1994 (brought forward)	\$13,508,983	\$ --	\$ (811,359)	\$ (7,555,263)	\$ 7,015,693
Preferred stock issuance	(1,073,524)	--	--	--	966,476
Preferred stock conversion	2,014,500	--	--	--	--
Restricted stock grant issuance ..	--	--	135,667	--	135,667
Stock options issued	--	--	17,188	--	17,188
Preferred dividends	(575)	--	--	(220,440)	(220,440)
Common stock issued in connection with purchase of Armstrong Freight Express	557,700	--	--	--	565,500
Common stock issued in connection with purchase of Trans-Lynx Express	83,325	--	--	--	84,490
Common stock issued in connection with purchase of Automated Solutions	1,332,000	--	--	--	1,350,000
Common stock issued in exchange for consulting services	239,275	--	--	--	242,625
Common stock issued in connection with contract settlement	35,750	(36,250)	--	--	--
Stock options exercised	247,475	(254,035)	--	--	(2,860)
Net income	--	--	--	1,123,918	1,123,918
Balance, December 31, 1995	\$16,944,909	\$ (290,285)	\$ (658,504)	\$ (6,651,785)	\$11,278,257

</TABLE>

F-8

U. S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONCLUDED)
YEARS ENDED DECEMBER 31, 1994 AND 1995 AND
SIX MONTHS ENDED JUNE 30, 1996 (UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock		Preferred Stock	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1995 (brought forward)	13,392,209	\$133,922	180,000	\$1,800,000
Preferred stock issuance	--	--	300	300,000
Debentures converted into common stock	4,522,002	45,220	--	--
Preferred stock conversion	533,334	5,333	(300)	(300,000)
Restricted stock grant issuance ...	--	--	--	--
Stock options issued	--	--	--	--
Repurchase of common stock	(285,000)	(2,850)	--	--
Preferred dividends	--	--	--	--
Common stock issued in connection with a covenant not-to-compete ...	100,000	1,000	--	--
Net proceeds from exercise of warrants	200,000	2,000	--	--
Proceeds from equity portion of bridge loan	--	--	--	--
Net proceeds from exercise of stock options	160,000	1,600	--	--
Common stock issued in exchange for consulting services	625,000	6,250	--	--
Common stock issued in connection with purchase of Krogel	110,000	1,100	--	--
Net income	--	--	--	--
Balance, June 30, 1996 (Unaudited)	19,357,545	\$193,575	180,000	\$1,800,000

</TABLE>

(RESTUBBED TABLE CONTINUED FROM ABOVE)

<TABLE>

<CAPTION>

	Additional Paid-In Capital	Stock Sub- scription Receivable	Deferred Compen- sation	Retained Earnings (Deficit)	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995 (brought forward)	\$16,944,909	\$ (290,285)	\$ (658,504)	\$ (6,651,785)	\$11,278,257
Preferred stock issuance	(43,272)	--	--	--	256,728
Debentures converted into common stock	1,731,068	--	--	--	1,776,288
Preferred stock conversion	294,667	--	--	--	--
Restricted stock grant issuance ...	--	--	54,486	--	54,486
Stock options issued	--	--	13,368	--	13,368
Repurchase of common stock	(210,900)	--	--	--	(213,750)
Preferred dividends	--	--	--	(95,850)	(95,850)
Common stock issued in connection with a covenant not-to-compete ...	74,000	--	--	--	75,000
Net proceeds from exercise of warrants	73,000	--	--	--	75,000
Proceeds from equity portion of bridge loan	344,000	--	--	--	344,000
Net proceeds from exercise of stock options	130,900	--	--	--	132,500
Common stock issued in exchange for consulting services	462,500	252,500	(13,368)	--	707,862
Common stock issued in connection with purchase of Krogel	81,400	--	--	--	82,500
Net income	--	--	--	834,483	834,483
Balance, June 30, 1996 (Unaudited)	\$19,882,272	\$ (37,785)	\$ (604,018)	\$ (5,913,152)	\$15,320,892

</TABLE>

F-9

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years Ended December 31,		Six Months Ended June 30,	
	1994	1995	1995	1996
<S>	<C>	<C>	(Unaudited) <C>	
OPERATING ACTIVITIES:				
Income from continuing operations	\$ 758,485	\$1,291,117	\$ 404,974	\$ 834,483
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	512,383	831,976	232,739	837,324
Amortization of deferred compensation	--	152,855	--	--
Deferred tax benefit	(300,000)	(450,000)	--	--
Provision for losses on accounts receivable	151,500	--	--	--
Write off of notes receivable	--	75,796	--	--
Gain (loss) on sales of assets	25,750	419,775	157,060	(55,828)
Change in assets and liabilities:				
Accounts receivable	(546,548)	(453,941)	149,756	(1,046,064)
Inventories	(11,776)	(358,305)	(74,479)	56,714
Other receivables	8,170	(14,980)	7,781	39,174
Prepaid and other assets	142,936	(272,272)	(197,408)	(35,742)
Costs and estimated earnings in excess of billings	--	(221,615)	--	(871,765)
Accounts payable	(88,696)	(762,358)	(295,747)	(328,965)
Accrued liabilities	(212,574)	(280,481)	(77,704)	(109,669)
Billings in excess of costs and estimated earnings	--	(579,261)	--	(225,961)
Net cash provided by (used in) continuing operations	439,630	(621,694)	306,972	(906,299)
Loss from discontinued operations	(853,480)	(167,199)	--	--
Adjustments to reconcile loss to net cash used in discontinued operations:				
Depreciation and amortization	521,932	208,992	--	--
Change in net assets and liabilities and				

losses of discontinued operations ...	177,798	(248,504)	(289,046)	--
Net cash provided by (used in) discontinued operations	(153,750)	(206,711)	(289,046)	--
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (CARRIED FORWARD)	\$ 285,880	\$ (828,405)	\$ 17,926	\$ (906,299)

</TABLE>

See notes to consolidated financial statements.

F-10

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

<TABLE>
<CAPTION>

	Years Ended December 31,		Six Months Ended June 30,	
	1994	1995	1995	1996
				(Unaudited)
<S>	<C>	<C>	<C>	<C>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (BROUGHT FORWARD)	\$ 285,880	\$ (828,405)	\$ 17,926	\$ (906,299)
INVESTING ACTIVITIES:				
Capital expenditures	(339,369)	(786,891)	(154,196)	(1,317,481)
Acquisition of intangible assets	(64,032)	--	--	(150,000)
Proceeds from sales of assets	675,202	1,047,756	798,922	10,500
Transfers from cash -- restricted	161,107	16,726	(4,590)	18,575
Advances on notes and leases receivable .	(74,000)	(160,552)	(252,405)	--
Collection of notes and leases receivable .	440,601	813,431	357,824	170,030
Other	35,115	(246,796)	(35,542)	(95,614)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	834,624	683,674	710,013	(1,363,990)
FINANCING ACTIVITIES:				
Cash overdraft	35,570	(35,570)	(35,570)	1,056,578
Cash received from related parties	250,000	295,465	134,875	338,555
Cash paid to related parties	(470,405)	(400,946)	(100,000)	(251,934)
Cash obtained through business acquisitions	--	75,266	--	--
Proceeds from issuance of preferred stock .	--	1,555,933	1,555,933	256,728
Proceeds from bridge loan	--	--	--	982,000
Payment of preferred dividends	--	(220,439)	--	(95,850)
Principal payments on debt	(10,061,606)	(10,949,935)	(5,352,981)	(4,934,891)
Borrowings on debt	8,927,485	9,776,459	4,301,528	4,411,218
Deferred offering costs	(589,457)	--	--	--
Proceeds from issuance of convertible debentures	--	1,776,287	--	--
Proceeds from options and warrants exercised	44,875	--	--	207,500
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,863,538)	1,872,520	503,785	1,969,904
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(743,034)	1,727,789	1,231,724	(300,385)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	743,034	--	--	1,727,789
CASH AND CASH EQUIVALENTS, END OF YEAR/PERIOD	\$ --	\$ 1,727,789	\$ 1,231,724	\$ 1,427,404

</TABLE>

See notes to consolidated financial statements.

F-11

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

<TABLE>
<CAPTION>

Years Ended	Six Months Ended
December 31,	June 30,

	1994	1995	1995	1996
			(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Cash paid during the year/period for:				
Interest	\$578,815	\$484,600	\$210,000	\$281,000
	=====	=====	=====	=====

</TABLE>

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING
AND FINANCING ACTIVITIES

The Company acquired revenue equipment during the years ended December 31, 1994 and 1995 and during the six months ended June 30, 1995 and 1996 utilizing long-term debt of \$375,947, \$554,907, \$149,137 and \$3,400,999, respectively.

During the year ended December 31, 1994 and 1995, the Company sold buses in exchange for \$1,230,418 and \$2,151,630, respectively, of sales-type financing lease receivables and during the six months ended June 30, 1995 and 1996, the Company sold buses in exchange for \$898,118 and \$96,547, respectively, of sales-type financing leases receivable.

In October 1994, the Company issued a \$200,000 note in exchange for 100% of the outstanding common stock of American Trade-A-Bus of Texas, Inc.

In December 1994, the Company issued 180,000 shares of preferred stock in exchange for 100% of the outstanding common stock of Camelot Consultants, Inc.

In August 1994, the Company issued 375,000 shares of common stock to complete the acquisition of Suncoast Transportation, a partnership the Company jointly formed in September 1993.

During 1995, the Company issued 335,000 shares of common stock in exchange for consulting services.

During 1995, the Company sold various assets, including the discontinued charter operations, in exchange for notes receivable aggregating to \$403,500 and the assignment of \$58,579 of debt held by the Company.

In June 1995, the Company issued 780,000 shares of common stock in exchange for 100% of the outstanding common stock of Avanti Delivery Services, Inc. and Priority Express, Inc.

In July 1995, the Company issued 116,539 shares of common stock in exchange for 100% of the outstanding common stock of Trans-Lynx Express, Inc.

In November 1995, the Company issued 1,800,000 shares of common stock in exchange for 100% of the outstanding common stock of Automated Solutions, Inc.

During the six months ended June 30, 1996, holders of \$1,776,288 of convertible debentures converted such debentures into 4,522,002 shares of the Company's common stock.

During the six months ended June 30, 1996, the Company converted 300 shares of convertible preferred stock into 533,334 shares of common stock.

During the six months ended June 30, 1996, the Company acquired 285,000 shares of its common stock for \$213,750.

During the six months ended June 30, 1995 and 1996, the Company accrued \$95,850 of preferred dividends, in both periods.

In February 1996, the Company issued 110,000 shares of its common stock valued at \$82,500, as part of its acquisition of certain personal property and contract rights from Krogel Freight Systems of Tampa, Inc. and Krogel Air Freight, Inc.

In March 1995, the Company sold a substantial portion of the assets of Suncoast Transportation for \$25,000 cash and a promissory note of \$175,000.

In June 1996, the Company issued 100,000 shares of common stock in connection with a covenant not-to-compete.

In June 1996 the Company issued 625,000 shares of common stock and forgave notes aggregating \$252,500 in exchange for a consulting agreement.

See notes to consolidated financial statements.

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(INFORMATION AT JUNE 30, 1996 AND FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 1995 AND 1996 IS UNAUDITED)

[1] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

U.S. Transportation Systems, Inc. and Subsidiaries (the "Company's") are currently engaged in three business areas: (i) providing transportation related services; (ii) manufacturing transportation machinery and equipment; and (iii) providing entertainment services. The Company's operations are conducted in selected cities throughout the United States and internationally.

As more fully discussed in Note 13, during 1995 the Company purchased Avanti Delivery Services, Inc., Priority Express Services, Inc. and Trans Lynx Express, Inc. which operate a package delivery and container air cargo service. The Company also purchased Automated Solutions, Inc. ("ASI") which is engaged in designing and manufacturing machinery which folds and tests airbags.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

USES OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenue when services are performed. The Company recognizes contract revenue using the percentage-of-completion method of contract accounting. Contract revenues earned are recorded using the percentage of contract costs incurred to date to total estimated contract costs.

Anticipated losses on contracts are charged to earnings as soon as such losses can be estimated. Changes in estimated profits on contracts are recognized during the period in which the change in estimate is known.

INVENTORIES

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market. Inventories were comprised of:

<u><TABLE></u> <u><CAPTION></u>	December 31, 1995	June 30, 1996
	-----	-----
		(Unaudited)
<u><S></u>	<u><C></u>	<u><C></u>
Parts	\$175,947	\$150,320
Raw materials	686,043	582,461
Sundry	114,913	187,408
	-----	-----
	\$976,903	\$920,189
	=====	=====

</TABLE>

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. The Company records depreciation utilizing the straight-line method over estimated useful lives of 10 to 17 years for highway coaches and 3 to 7 years for school buses and other revenue equipment with no residual value. Other depreciable assets have estimated useful lives of 3 to 30 years, with no assumed residual value.

Overhauls of major highway coach components are capitalized and written off utilizing the straight-line method over a period of thirty months.

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[1] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

When an asset is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is reflected in income.

INVESTMENT TAX CREDIT

The Company accounts for investment and other tax credits (when available) by the flow-through method.

CASH RESTRICTED

The Company maintains cash balances in certificates of deposit which secure letters of credit for various insurance policies and bonds. It is the Company's policy to classify the restricted cash consistent with the liabilities to which they relate. Therefore, the Company treats restricted cash securing letters of credit as a current asset; all restricted cash securing bonds is treated as long-term.

CASH EQUIVALENTS

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

GOODWILL

Goodwill and other intangible assets are amortized by the straight-line method over lives ranging from 5 to 20 years. The Company periodically evaluates the carrying value and the periods of amortization of goodwill based on the current and expected future non-discounted income from operations of the entities giving rise to the goodwill to determine whether events and circumstances warrant revised estimates of carrying value or useful lives. Goodwill identifiable to a particular segment or group of assets is charged to earnings upon disposition of the particular segment or group of assets.

EARNINGS (LOSS) PER SHARE

Earnings (loss) per share are computed based on the weighted average number of shares of common stock and common stock equivalents outstanding during the periods presented. Common stock equivalents include shares issuable upon conversion of the Company's convertible debentures and exercise of certain of the Company's options and warrants. All share and per share amounts have been retroactively adjusted for the one-for-five reverse stock split declared on January 6, 1994.

RECLASSIFICATION

The December 31, 1994 financial statements have been restated to conform to the current years presentation.

[2] NET INVESTMENT IN SALES-TYPE LEASES

The Company's leasing activities consist entirely of revenue equipment. These leases expire at various times through November 1999. There were no initial or executory costs with respect to these leases.

The following is a summary of the components of the Company's net investment in these sales-type leases at December 31, 1995 and June 30, 1996:

<TABLE>

<CAPTION>

	December 31, 1995	June 30 1996
	-----	-----
		(Unaudited)
<S>	<C>	<C>
Total Minimum Lease Payments Receivable .	\$3,376,000	\$3,362,000
Less: Unearned Income	782,460	770,292

NET INVESTMENT IN SALES-TYPE LEASES	\$2,593,540	\$2,591,708
	=====	=====

</TABLE>

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[2] NET INVESTMENT IN SALES-TYPE LEASES - (Continued)

Minimum lease payments to be received as of December 31, 1995 are as follows:

<TABLE>	
<CAPTION>	
<S>	<C>
1996	\$ 864,000
1997	797,000
1998	711,000
1999	492,000
2000	283,000
Thereafter	229,000

TOTAL	\$3,376,000
	=====

</TABLE>

[3] SECURED LINE OF CREDIT

The Company has two financing agreements. The first contains a term loan component and an accounts receivable financing component with an aggregate maximum borrowing balance of \$4,500,000. The accounts receivable component of the line of credit is secured by accounts receivable and has a maximum borrowing limit of \$1,000,000. The borrowing base is computed at 80% of eligible receivables. The term loan component is secured by equipment, primarily buses, and is payable at 1/84 of the borrowing base balance plus interest per month. The remaining balance is due September 3, 1996, the termination date of the agreement. The borrowings are further secured by property belonging to an officer of the Company. Borrowings under the finance agreement bear interest at prime plus 3.5 percent (12% at December 31, 1995). At December 31, 1995, the amount borrowed and outstanding under the line of credit agreement was \$2,226,254 and is included on the balance sheet in Notes Payable (see Note 4).

The second is secured by all business assets and accounts receivable of ASI. Borrowings bear interest at prime plus 2% (10.5% at December 31, 1995). At December 31, 1995, the amount outstanding was \$82,630 and is included on the balance sheet in notes payable (see Note 4). During the six months ended June 30, 1996, the agreement was terminated and all remaining balances were paid.

[4] NOTES PAYABLE

Notes payable consist of the following at December 31, 1995 and June 30, 1996:

<TABLE>		
<CAPTION>		
	December 31, 1995	June 30, 1996
	-----	-----
<S>	<C>	(Unaudited) <C>
Secured line of credit (Note 3)	\$2,308,884	\$2,261,990
Notes payable and capitalized leases, collateralized by equipment, payable monthly and maturing through March 1998, interest rates ranging from 8% to 14% (including certain notes with interest based upon the prime rate, average interest rate approximating 10%)	880,459	4,505,595
Notes payable, unsecured, resulting from acquisitions, payable monthly and maturing through June 1997 with interest rates ranging from 9% to 10%	350,393	326,503
Mortgage notes payable, collateralized by real property, payable in monthly installments of \$5,310 and \$4,637 through August 1998 and February 2020, respectively, (average interest rate approximately 11%) Property with a carrying value approximating \$875,000 secures the mortgages	642,919	603,893
Other	168,715	-0-

Total Notes Payable	4,351,370	7,697,981
Less: Current Maturities	3,230,336	4,713,633
NON-CURRENT NOTES PAYABLE	\$1,121,034	\$2,984,348

</TABLE>

F-15

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[4] NOTES PAYABLE - (Continued)

Annual maturities of notes payable, as of December 31, 1995, are as follows:

<TABLE>	
<CAPTION>	
<S>	<C>
1996	\$3,230,336
1997	291,000
1998	194,000
1999	118,000
2000	50,000
Thereafter	468,034
TOTAL	\$4,351,370

</TABLE>

[5] LONG-TERM LEASES

The Company leases real property under operating leases expiring in 2005. These leases generally require that the Company pay all costs of maintenance, insurance and licenses. Future minimum payments, on non-cancelable operating leases with initial or remaining terms of one year or more, are as follows at December 31, 1995:

<TABLE>	
<CAPTION>	
<S>	Operating Leases (Non-Related)

1996	<C> \$139,000
1997	92,000
1998	43,000
1999	18,000
TOTAL MINIMUM LEASE PAYMENTS	\$292,000

</TABLE>

[6] INCOME TAX EXPENSE

The Company accounts for its income taxes under the liability method. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Differences between financial reporting and tax basis arise most frequently from differences in timing of income and expense recognition and as a result of business acquisitions.

At December 31, 1995, the Company has recorded a deferred tax asset of \$750,000, consisting of a deferred tax asset of \$4,511,000 offset by a deferred tax liability of \$784,000 and a valuation allowance of \$2,977,000. The valuation allowance represents a decrease of \$8,000 from the December 31, 1994 valuation allowance balance of \$2,985,000. The decision to record a deferred tax asset of \$750,000 was based upon management's evaluation that, with the acquisitions of American Trade-A-Bus of Texas, Inc. ("ATAB") and ASI and the discontinuation of unprofitable operations, future profits are certain enough to substantiate the recording of an asset. At December 31, 1995, the Company had available for tax purposes net operating loss ("NOL")

carryforwards of approximately \$11,200,000 and general business credits of approximately \$647,000, (exclusive of those available to ASI which are discussed below). NOL carryforwards will expire commencing in 2002 and ending in 2009, as follows: \$4,060,000 expiring in 2002; \$1,440,000 expiring in 2007; \$5,310,000 expiring in 2008; and the remainder expiring in 2009. Tax credit carryforwards will expire commencing in 1996 and ending in 2000; because of the timing of the tax credits, and as ("IRS") rules require the NOL to be first utilized to offset future earnings, the Company does not anticipate realizing any benefit from its tax credits.

F-16

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[6] INCOME TAX EXPENSE - (Continued)

ASI, a wholly-owned subsidiary acquired in November 1995, has available NOL carryforward of approximately \$2,000,000, expiring in 2010. This amount was not included in the computation of the of the deferred tax asset noted above as it can only be utilized against future taxable earnings generated by ASI.

Although the Company does anticipate realizing benefit from the substantial portion of its NOL carryforward, the Company has reserved \$2,977,000 against these expected benefits. This is due to the relative uncertainty regarding long-term future earnings and the NOL annual limitations resulting from an "ownership change" in 1995, within the meaning of section 382 of the IRS Code. Although the determination of whether an ownership change has occurred is subject to factual and legal uncertainties, the Company believes that an ownership change occurred in 1995 from the issuance of preferred stock and the subsequent conversion of the convertible debentures into common stock. Under an ownership change, the Company will be permitted to utilize NOL carryforwards (available on the date of such change) in any year thereafter to reduce its income to the extent that the amount of such income does not exceed the product of (the "Section 382 limit") the fair market value of the Company's outstanding equity at the time of the ownership change and long term tax exempt rate published by the IRS; the Company's Section 382 limits in 1997 and beyond will be approximately \$800,000 per year, and accordingly, the Company will not be able to utilize its full NOL benefits.

A reconciliation of the total income taxes computed by applying the statutory federal rate and the effective tax rate follows for the years ended December 31, 1994 and 1995:

<TABLE>
<CAPTION>

	1994		1995	
	Income Taxes	%	Income Taxes	%
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Federal Statutory Tax Rate	\$ 236,189	34%	\$ 439,000	34%
Use of NOL to offset tax	(300,000)	(43)	(803,000)	(62)
	-----	-----	-----	-----
Total Federal Income Tax Benefit .	\$ (63,811)	(9)%	\$ (364,000)	(28)%
	=====	=====	=====	=====

</TABLE>

The components of deferred taxes are as follows as of December 31, 1995:

<TABLE>
<CAPTION>

	Assets	Liabilities
	-----	-----
<S>	<C>	<C>
Accelerated Depreciation .		\$284,000
Discontinued Operations .		35,000
Installment Sales		465,000
Bad Debts	\$ 56,000	
Tax Credits	647,000	
Net Operating Loss	3,808,000	
	-----	-----
Total	4,511,000	784,000
Valuation Allowance	(2,977,000)	
	-----	-----
TOTAL	\$ 1,534,000	\$784,000

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
 Notes to Consolidated Financial Statements - (Continued)
 (Information at June 30, 1996 and for the six-month periods ended
 June 30, 1995 and 1996 is unaudited)

[7] SEGMENT INFORMATION

In 1994, the Company's operations are classified into two principal industry segments: transportation and entertainment and in 1995 into three principal industry segments; transportation, manufacturing and entertainment. The following is a summary of segment information:

	December 31, 1994	December 31, 1995	June 30, 1995	June 30, 1996
			(Unaudited)	(Unaudited)
<S>	<C>	<C>	<C>	<C>
Net Sales to Unaffiliated Companies:				
Transportation	\$ 9,225,391	\$ 9,455,622	\$4,136,276	\$ 7,413,965
Manufacturing	--	5,119,871	1,530,604	5,125,078
Entertainment	2,592,934	2,775,480	1,419,593	1,179,725
Totals	\$11,818,325	\$17,350,973	\$7,086,473	\$13,718,768
Income (Loss) from Operations:				
Transportation	\$ 904,720	\$ 264,188	\$ 259,129	\$ 627,279
Manufacturing	--	1,225,799	369,312	374,260
Entertainment	(161,180)	40,758	(20,629)	(58,290)
Totals	743,540	1,530,745	607,812	943,249
Other expense, net	(48,866)	(603,628)	(202,840)	(108,766)
Income Before Income Taxes and Discontinued Operations as Reported in the Accompanying Statement of Operations				
	\$ 694,674	\$ 927,117	\$ 404,972	\$ 834,483
Identifiable Assets from Continuing Operations:				
Transportation	\$ 7,490,488	\$10,954,873	\$8,860,847	\$16,041,527
Manufacturing	--	3,337,854	745,511	4,409,617
Entertainment	338,635	324,805	346,577	473,380
Totals	\$ 7,829,123	\$14,617,532	\$9,952,935	\$20,924,524
Depreciation and Amortization:				
Transportation	\$ 495,591	\$ 553,771	\$ 150,734	\$ 503,401
Manufacturing	--	258,417	67,250	324,278
Entertainment	16,792	19,788	14,755	9,644
Totals	\$ 512,383	\$ 831,976	\$ 232,739	\$ 837,323
Capital Expenditures:				
Transportation	\$ 914,218	\$ 1,080,292	\$ 241,630	\$ 4,718,480
Manufacturing	--	198,084	61,705	3,100
Entertainment	55,130	14,427	--	--
Totals	\$ 969,348	\$ 1,292,803	\$ 303,335	\$ 4,721,580

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
 Notes to Consolidated Financial Statements - (Continued)
 (Information at June 30, 1996 and for the six-month periods ended
 June 30, 1995 and 1996 is unaudited)

[8] MAJOR CUSTOMERS

Revenues from a single transportation contract with Ford Motor Company

approximated 19% and 14% of the Company's total revenues in 1994 and 1995, respectively. Revenues received in 1995 approximated \$2,364,000 and their receivables at year end approximated \$252,000.

ATAB, a wholly-owned subsidiary, derives 100% of its revenue from Stewart and Stevenson. Revenues received in 1995 approximated \$4,112,000 and their receivable at year end approximated \$839,700.

[9] RELATED PARTY TRANSACTIONS

At December 31, 1995 and June 30, 1996, the Company owed its Chairman and related family entities \$602,295 and \$497,068, respectively, which consists of the following:

	December 31, 1995	June 30, 1996
	-----	-----
		(Unaudited)
<S>	<C>	<C>
Balance due, beginning of period	\$ 707,676	\$ 602,295
Loans		240,000
Accrued preferred stock dividends	191,700	95,850
Accrued interest charged to operations	103,865	49,771
Repayments	(400,946)	(299,000)
	-----	-----
Balance due, end of period	\$ 602,295	\$ 688,916
	=====	=====
Annual maturities as of December 31, 1995 are as follows:		
1996	\$ 254,050	
1997	294,890	
1998	53,355	

Total	\$ 602,295	
	=====	

</TABLE>

The above loan bears interest at 15% per annum, with weekly payments including interest of \$6,313.

The Company maintains an account with a brokerage firm. The broker is the Chairman's son.

[10] PROFIT-SHARING PLAN

One of the company's adopted a voluntary profit-sharing plan for the benefit of its employees. Contributions are at the discretion of the company. No contributions were accrued or paid during the years ended December 31, 1994 and 1995. Another company maintains a non-contributory 401(k) plan.

[11] STOCK

STOCK OPTIONS

The Company has the following stock options plans:

-- In August 1995, the Company adopted an incentive stock option plan for the benefit of its key officers, directors and employees. The Company reserved 120,000 shares of its common stock for issuance under the Plan, which expired on September 1, 1995.

F-19

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[11] STOCK - (Continued)

STOCK OPTIONS (Continued)

-- On April 11, 1995, as part of an agreement with Argent Securities, Inc. ("Argent") Argent gave up its right to first refusal to underwrite future equity offerings of the Company, and its right to nominate two members to the Company's Board of Directors; in exchange the Company reserved and issued to Argent options to purchase 200,000 shares of the Company's common stock as follows:

100,000 shares at \$.75 per share through April 11, 1998
 50,000 shares at \$1.00 per share through April 11, 1998
 50,000 shares at \$1.25 per share through April 11, 1997

-- In October 1994, the Company issued stock options, pursuant to a consulting agreement in connection with the acquisition of ATAB, for 110,000 shares of common stock in 1994 and 300,000 shares of common stock in 1995, of which 355,000 options were exercised in 1995 at \$.50 and \$.75 per share. The Company recorded a deferred compensation amount of \$34,375 in relation to this plan for the amount the shares under option, valued at the market price at time of the grant, exceeded the aggregate exercise price of the stock option, which amount is being amortized over two years.

-- In November 1995, the Company, pursuant to the acquisition of ASI, reserved and issued options to certain principals and/or employees to purchase 330,000 shares of common stock as follows:
 110,000 shares at \$1.25 per share between December 1, 1996 through December 31, 1998
 110,000 shares at \$1.50 per share between December 1, 1997 through December 31, 1998
 110,000 shares at \$2.00 per share between December 1, 1998 through December 31, 1998

A summary of the plans are as follows:

<TABLE>
 <CAPTION>

	Stock Option Plan for Non Employee Directors, Consultants & Advisors	Exercise Price	Incentive Stock Options; Shares Under Option	Exercise Price	Other Options; Shares Under Option	Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at December 31, 1993 ...	--	\$ --	5,000	\$.06	--	\$ --
Granted	--	--	--	--	110,000	.50
Exercised	--	--	--	--	--	--
Expired	--	--	--	--	--	--
Cancelled	--	--	--	--	--	--
Outstanding at December 31, 1994 ...	--	--	5,000	--	110,000	--
Granted	200,000	.75-1.25	--	--	640,000	.75-2.00
Exercised	--	--	(5,000)	(.06)	(365,000)	.50-.75
Expired	--	--	--	--	--	--
Cancelled	--	--	--	--	--	--
Outstanding and exercisable at December 31, 1995	200,000		--		385,000	

</TABLE>

F-20

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
 Notes to Consolidated Financial Statements - (Continued)
 (Information at June 30, 1996 and for the six-month periods ended
 June 30, 1995 and 1996 is unaudited)

[11] STOCK - (Continued)

STOCK GRANT

On January 18, 1994, the Board of Directors of the Company adopted a Restricted Stock Grant Program (the "Program") pursuant to which 1,100,000 shares of Common Stock were reserved for issuance. The Program provides that if the Company met certain sales and income goals for the twelve months ended June 30, 1994, the shares would be granted to each of the Company's executive officers (the "Grantees") who remain employed by the Company on that date. These 1,100,000 shares of restricted common stock were issued to the Company's Executive Officers on August 15, 1994 and may be voted by Grantees. Originally, the restricted Common Stock shares issued were subject to forfeiture each year on May 1 of 1995 through 1998 if total Company sales for the preceding fiscal year did not meet certain goals, and it was the Company's opinion that attainment of the specified sales goals was probable.

The Plan was amended in April 1995. Subsequent to the amendment, 20% of the restricted Common Stock shares issued shall be subject to forfeiture each year on May 1 of 1995 through 1999 if the Company does not meet certain sales, profit and income per share goals for the preceding fiscal year. The amendment divides the grant into three sections; one third of the grant is based on obtaining a minimum sales goal, one third is based on a specified amount of income from operations and one third based on earnings per share. If the second and third goal are not met in any one year, they can be carried over to the subsequent year. All items were met in 1994 and items one and two were met in 1995. Additionally, on August 15, 1998 and August 15 of each successive year through August 15, 2001, restrictions shall lapse on 25% of the restricted Common Stock shares issued (and not forfeited due to the Company's failure to meet the specified goals); however, all shares on which restrictions have not lapsed shall be forfeited by the grantee upon the grantee's termination of employment with the Company. The shares were valued at \$.75 per share, the price of the Common Stock at time of issuance and a deferred compensation contra equity account, amortized over the 84 month period restrictions and forfeiture provisions lapse, was recorded at time of issuance. The balance of the deferred compensation at December 31, 1995 was \$658,504. Deferred compensation expense in connection with this grant was \$135,667 and \$33,197, respectively, for the years ended December 31, 1995 and 1994, respectively. When and if the restrictions lapse on the restricted Common Stock shares, the Company, under certain conditions, will indemnify the Grantees of the income tax consequences accruing to the Grantees by virtue of the lapse of restrictions.

STOCK SPLIT

On January 6, 1994, the Company's Board of Directors declared a one-for-five reverse stock split of its common stock, effective January 26, 1994. The par value of the common stock remains at \$.01 per share. All share data have been adjusted for the effects of the split.

STOCK WARRANTS

In connection with its 1991 public offering, the Company had outstanding 2,012,500 of each of its Class A, Class B and Class C common stock purchase warrants with original exercise prices of \$.75, \$1.00 and \$1.25, respectively. In August 1993, the Company's board of directors approved a reduction in the exercise price of its Class A, B and C common stock purchase warrants to \$.50 per warrant, or \$2.50 per share pursuant to the aforementioned stock split. During 1994, 89,750 warrants were exercised, generating cash of \$44,875. The Class A warrant and Class B warrant expired on June 9, 1994. The Class C warrant expired on December 9, 1994.

On December 1, 1994, Argent and the Company entered into a Letter of Agreement, pursuant to which Argent Securities, Inc. agreed to provide investor relations and corporate communications services to the Company for a period of one year. In consideration of those services, the Company agreed to pay an annual fee of \$20,000 and to issue to Argent warrants to purchase 400,000 shares of the Company's Common Stock at \$.375 per share. On April 11, 1995 the Company and Argent entered into a second Letter Agreement. Among the terms of the new agreement were a reduction to 200,000 of the shares which Argent could purchase under the warrants issued to it in 1994.

F-21

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[11] STOCK - (Continued)

STOCK WARRANTS (Continued)

Argent was the underwriter of an offering of securities which the Company completed on February 28, 1995. Argent received commissions and a non-accountable expense allowance in compensation for those services. In connection with that offering, the Company sold to Argent an Underwriter's Warrant for a nominal price. The Underwriter's Warrant will permit Argent to purchase 17,000 shares of Series A Preferred Stock and 17,000 Class A Common Stock Purchase Warrants between February 21, 1996 and February 20, 1999.

There are currently outstanding 170,000 Class A Common Stock Purchase Warrants, each of which allows the holders to purchase a share of Common Stock and a Class B Common Stock Purchase Warrant for \$1.35. Each Class B Warrant permits the purchase of a share of Common Stock at \$1.65. The Class A Warrants will expire on August 20, 1996; the Class B Warrants, if issued, would expire on February 28, 1997.

STOCK AUTHORIZATION

On February 11, 1994, the Company's Board of Directors approved an increase in the authorized common stock shares from 10,000,000 to 20,000,000 and approved the authorization of 10,000,000 \$.01 par value preferred stock shares with such distinguishing designations as may be determined by the Company's Board of Directors. Effective February 21, 1996, the Board of Directors approved an increase in the authorized common stock shares from 20,000,000 to 50,000,000 shares.

[12] MOUNTAIN VIEW SETTLEMENT

In 1993 the pending litigation between Mountain View Coach Lines, Inc. (which is in Chapter 7 bankruptcy proceeding) and the State of New York was settled for \$376,000. This settlement, which was approved by the bankruptcy court on March 28, 1994, insures Mountain View sufficient assets to pay all of its administrative expenses and priority claims. The Company's approved priority claims against Mountain View's assets aggregate \$325,000. These claims were not recorded previous to December 31, 1993 by the Company as this receivable was not considered realizable until the aforementioned settlement. The bankruptcy estate could not be concluded until payment of the settlement with the State of New York cleared administrative procedures, which process took longer than originally anticipated. On January 25, 1995, the New York State Court of Claims signed the judgement for \$376,000 in favor of Mountain View Coach Lines, Inc. Per advice of counsel, the Company presently anticipates collection of the Mountain View claim by June 30, 1996.

[13] ACQUISITIONS

On July 11, 1994, the Company purchased the trade name, customer list and all other assets of Audience Projects Inc. of Chicago, a theater ticket subscription agency. The acquisition was completed with a cash payment of \$33,000 and was accounted for as a purchase. Goodwill of \$14,000 arose from the transaction and is being amortized over five years.

In October 1994, the Company acquired all of the capital stock of ATAB of Texas, Inc., a corporation engaged in providing engineering services and manufacturing electrical components for transportation vehicles, in exchange for a non-interest bearing \$200,000 note payable in ten equal monthly payments. The acquisition was accounted for as a purchase. Goodwill of \$190,000 arose from the transaction and is being amortized over five years.

On December 31, 1994 the Company purchased 100% of the outstanding shares of Camelot Consultants, Inc., a company engaged in owning and leasing buses to third parties and leasing to the Company the premises in Toledo, Ohio and a corporation owned by officers of the Company and their family, for 180,000 shares of preferred stock with the following features: dividends cumulative and payable annually on December

F-22

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Information at June 30, 1996 and for the six-month periods ended June 30, 1995 and 1996 is unaudited)

[13] ACQUISITIONS - (Continued)

31 at a rate of \$1.065 per share; redeemable at the option of the Issuer after January 1, 2000, at a price of \$10.00 per share; voting rights at the rate of twenty common stock voting shares per each preferred share. The acquisition was accounted for as a purchase due to the preferred stock issued by the Company. Due to the relationship of the entities, no "step-up in basis" was performed on the assets acquired; the assets were recorded at the net book value on the acquirees books, or \$680,457 after retirement of the 327,000 shares of the Company's common stock held by the acquiree at the time of the acquisition.

In June 1995, the Company acquired the capital stock of Avanti Delivery Services, Inc. and Priority Express Service, Inc. for an aggregate of 780,000 shares of Common Stock and, in July 1995, the assets of Falcon Freight, Inc. for \$20,000. The acquired companies were all Florida based corporations which collectively operate a package delivery service under the name "Armstrong Freight Service" ("Armstrong"). Further, in July 1995, the Company acquired the capital stock of Trans Lynx Express Inc. ("TLE"), another Florida based company that provides ground transportation of containerized air cargo, for 116,539 shares of common stock. These acquisitions were accounted for as purchases, which resulted in aggregate recorded goodwill of \$449,483 for the excess of the purchase price over the fair value of the assets acquired, less liabilities assumed. Goodwill is being amortized over eight years.

In November 1995, the Company acquired all of the issued and outstanding capital stock of ASI in exchange for 1,800,000 shares of Common Stock. ASI is engaged in designing, manufacturing and selling machinery which folds and tests airbags and assembles airbag modules, for installation in passenger and utility vehicles. ASI holds several design patents on automatic bag folding machinery and the process through which these machines operate. This acquisition was also accounted for as a purchase, which resulted in recorded goodwill of \$3,970,072 for the excess of the purchase price over the fair value of the assets acquired, less liabilities assumed. Goodwill is being amortized over eight years.

The purchase price for all acquisitions in 1995 was allocated as follows:

<TABLE>	
<CAPTION>	
<S>	
Property and equipment	\$ 953,800
Intangible assets	4,464,300
Working capital, net	(3,395,700)

	\$ 2,022,400
	=====
</TABLE>	

F-23

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[13] ACQUISITIONS - (Continued)

The following unaudited pro forma statements does not purport to be indicative of the results of operations that would have occurred if U.S. Transportation Systems, Inc. had acquired ASI and Armstrong at the beginning of the periods presented.

<TABLE>						
<CAPTION>						
(UNAUDITED)						
	U.S Transportation Systems	Automated Solutions, Inc.	Armstrong Freight Systems and Trans Lynx Express	Total Before Pro Forma Before	Pro Forma Adjustments	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended December 31, 1994 -----						
Revenue	\$11,818,000	\$ 8,766,000	\$1,064,000	\$21,648,000	\$ --	\$21,648,000
Cost of sales	--	7,197,000	--	7,197,000	--	7,197,000
Operating expense .	11,913,000	1,686,000	1,067,000	14,666,000	545,000	15,211,000
Net income (loss) .	\$ (95,000)	\$ (117,000)	\$ (3,000)	\$ (215,000)	\$ (545,000) (1)	\$ (760,000)
Loss per share						\$ (.08)
Year Ended December 31, 1995 -----						
Revenue	\$15,331,000	\$ 6,927,000	\$2,053,000	\$24,311,000	\$ --	\$24,311,000
Cost of sales	1,873,000	6,539,000	--	8,412,000	--	8,412,000
Operating expenses .	12,432,000	2,549,000	2,047,000	17,028,000	(1,355,000)	15,673,000
Net income (loss) .	\$ 1,026,000	\$ (2,161,000)	\$ 6,000	\$ (1,129,000)	\$ 1,355,000 (2)	\$ 226,000
Earnings per share .						\$.02
</TABLE>						

(1) The only proforma adjustment for the year ended December 31, 1994 relates

to amortization of goodwill.

(2) The proforma adjustments for the year ended December 31, 1995 consists of the following:

<TABLE>	
<CAPTION>	
<S>	<C>
Amortization of goodwill	\$ (545,000)
Productive efficiency obtained through adequate capitalization .	1,600,000
Elimination of duplicative administrative functions	300,000

	\$1,355,000
	=====

</TABLE>

[14] DISCONTINUED OPERATIONS

On December 31, 1993, the Company adopted a formal plan to discontinue its charter bus operations. The Company's charter operations were primarily located in New York, Atlantic City and Toledo. The Company's charter operations had minimal gross profit margins which continued to decrease over the last few years and, in fact, were profitable only when used in conjunction with contract operations. The decision to discontinue the charter segment was, thus, precipitated by management's belief that charter operations no longer represented a profitable segment and that the Company's assets could best be utilized elsewhere.

During 1994, the Company disposed of its charter operations in New York and New Jersey by selling off assets and transferring assets to other Company locations. Additionally, in 1995 the Company disposed of its charter operations in Florida and Ohio as continuing operations. Assets held for sale at December 31, 1995, is \$152,500, representing three highway motorcoaches which the Company anticipates selling for an aggregate amount approximating the balance at December 31, 1995.

F-24

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[14] DISCONTINUED OPERATIONS - (Continued)

The Company has reclassified the segment's assets (which consist primarily of revenue equipment) which it plans to sell to "Assets Held for Sale". The remainder of the segment's assets will be incorporated into other aspects of the Company's business. Liabilities of the segment can be satisfied utilizing funds generated by the segment during the phase-out period. During the years ended December 31, 1994 and 1995, respectively, the Company increased its reserve for estimated loss on disposal of discontinued operations by \$853,480 and \$167,199 (net of income tax benefit of \$236,189 and \$86,000, respectively) as a result of losses from discontinued operations exceeding the Company's previous provision for such losses. The Company generated \$1,452,000 and \$3,091,000 from the sale of assets of the discontinued segment during the years ended December 31, 1994 and 1995, respectively; \$777,000 and \$2,123,000 in the form of sale-type leases in 1994 and 1995; and \$375,000 in two promissory notes. Cash flow from the discontinued segment for the years ended December 31, 1994 and 1995 is as follows:

<TABLE>		
<CAPTION>		
	1994	1995
	-----	-----
<S>	<C>	<C>
Losses from discontinued operations	\$ (1,334,569)	\$ (410,431)
Add: Depreciation on assets being used in discontinued operations	521,932	208,992
Cash proceeds from sale of assets of discontinued operations (including \$246,787 and \$410,120 from collection of lease receivables)	921,787	1,003,620
	-----	-----
Total Cash Provided from Discontinued Operations	\$ 109,150	\$ 802,181
	=====	=====

</TABLE>

Operating results of the Company's charter segment for the twelve months ended December 31, 1994 and 1995 are shown separately in the accompanying statement of operations. Net sales of the Company's charter segment were \$4,311,291 and \$1,275,182 for the years ended December 31, 1994 and 1995,

respectively. Such amounts are not included in net sales in the accompanying "Statements of Operations".

Interest expense has been allocated to discontinued operations. Interest expense allocated to discontinued operations totals \$371,000 and \$129,000 in 1994 and 1995, respectively, and is comprised of: 1) interest directly attributed to the discontinued operations; and 2) interest not directly attributed to any operating segment, which amount has been allocated based upon the ratio of net assets of the discontinued operation to the sum of the Company's total net assets.

[15] FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of trade receivables and payables, notes receivable and payable, investments in sales-type leases, convertible debentures and related party debt. The book values of trade receivables and payables are considered to be representative of their respective fair values. It was not practicable to estimate the fair value of notes receivable and payable, investments in sales-type leases, convertible debentures and related party debt.

[16] CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

The Companies have cash deposits with various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000.

The Companies maintain cash funds with a brokerage house. These accounts are insured up to \$100,000 by Securities Investor Protection Corporation.

F-25

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[17] UNCOMPLETED CONTRACTS

Costs, estimated earnings and billings on estimated contracts at December 31, 1995 and June 30, 1996 consist of:

<TABLE>

<CAPTION>

	December 31, 1995	June 30, 1996
	-----	-----
		(Unaudited)
<S>	<C>	<C>
Costs incurred on uncompleted contracts	\$ 2,002,975	\$1,304,277
Estimated earnings	939,517	346,523
	-----	-----
Billings remaining on completed contracts	--	10,706
	2,942,492	1,661,506
Billings on uncompleted contracts	(3,053,709)	(674,997)
	-----	-----
Total	\$ (111,217)	\$ 986,509
	=====	=====
Included in the accompanying balance sheet under the following captions:		
Costs and estimated earnings in excess of billings ...	\$ 243,295	\$1,115,060
Billings in excess of costs and estimated earnings ...	(354,512)	(128,551)
	-----	-----
Total	\$ (111,217)	\$ 986,509
	=====	=====

</TABLE>

[18] CONVERTIBLE DEBENTURES AND CONVERTIBLE PREFERRED STOCK

In November 1995, the Company sold an aggregate of \$3,150,000 principal amount of 8% convertible debentures for approximately \$1,776,000 and in February 1996, the Company sold \$300,000 of convertible preferred stock. Each of these transactions were made in reliance upon Regulation S of the Securities Act. The Securities and Exchange Commission (the "Commission"), has taken the position that certain sales of securities pursuant to Regulation S, effected in a manner similar to the sales made by the Company (which includes the sale of a substantial number of shares at a significant discount to the then market price, which shares were resold soon after the 40 day holding period expired), were in fact not made in compliance with such

Regulation. Although management believes that its transactions were in compliance with the requirements of Regulation S, there can be no assurance that the Commission will not review such transactions and determine that securities laws have been violated. If this were to occur, the Company could become subject to actions by the Commission which could result in an injunction against the Company from future violations of the federal securities laws and/or fines against the Company. Any such actions by the Commission could have an adverse impact on the Company for which no reserve has been established. In January 1996, the debentures were converted by the holders into 4,522,000 shares of common stock.

[19] COMMITMENTS AND CONTINGENCIES

The Company is a party to various matters in litigation. These matters are subject to many uncertainties and the outcome of all individual matters is not predictable. Although the amount of liability at December 31, 1995 with respect to these matters cannot be currently determined, management believes, based upon the advice of legal counsel, that the outcome of such litigation will not have a material adverse affect on the consolidated financial position, operations, cash flow or liquidity of the Company.

The Company is primarily regulated by the Department of Transportation ("DOT") which sets certain safety standards which must be met by the Company's revenue equipment and sets certain driver requirements. Substantially all of the Company's transportation segment is subject to these regulations.

At December 31, 1995, the Company has \$126,000 of irrevocable standby letters of credit, \$50,000 of which is to cover the Company's liability with respect to pending accident claims and \$76,000 of which is to

F-26

U.S. TRANSPORTATION SYSTEMS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements - (Continued)
(Information at June 30, 1996 and for the six-month periods ended
June 30, 1995 and 1996 is unaudited)

[19] COMMITMENTS AND CONTINGENCIES - (Continued)

collateralize various operational bonds. At December 31, 1995, the Company has recorded a liability of approximately \$75,000 with respect to pending accident claims, which amount is included in "Accrued Liabilities", in the accompanying balance sheet. The Company has recorded all contingent liabilities which it believes are likely and measurable and does not anticipate actual losses in these matters to exceed what has been accrued.

The Company maintains a self-insurance program for that portion of health care costs not covered by insurance. The Company is liable for claims up to \$25,000 per family annually, and aggregate claims up to \$500,000 annually. Self insurance costs are accrued based upon the aggregate of the liability for reported claims. The company recorded expense in connection with the insurance plan of \$480,000 and \$297,000 for 1995 and 1994, respectively.

[20] SUBSEQUENT EVENTS

On February 23, 1996, the Company purchased certain personal property, intangible assets and contract rights from Krogel Air Freight, Inc. and Krogel Freight Systems of Tampa, Inc. for \$150,000 in cash and 110,000 shares of common stock. This acquisition will be accounted for as a purchase.

The Company has entered into a letter of intent for a public offering of approximately \$7,500,000 of common stock. It is anticipated that such offering will be completed during the middle of 1996, although there can be no assurance as to when or if such offering will be completed.

[21] INTERIM PERIODS (UNAUDITED)

In the opinion of the Company, the accompanying unaudited consolidated financial statements include all adjustments (which consist only of normal recurring items) necessary to present fairly the financial position as of June 30, 1996, and the results of operations and cash flows for the six months ended June 30, 1996 and 1995. The results for the six months ended June 30, 1996, are not necessarily indicative of the results to be expected for the year.

On June 24, 1996 the Company purchased certain assets from Jackson & Johnson, Inc. for \$160,000 in cash and the assumption of approximately \$2,930,000 in accrued debt. This acquisition will be accounted for as a purchase.

F-27

ATAB of Texas,
Inc. (Sealy, TX)

Partial views of the manufacturing facility where wiring harnesses and electrical components are produced for fifteen truck vehicles for the U.S. Department of Defense.

Advance Entertainment (New York, NY)

Armstrong Freight Services, Inc.
(Tampa, Orlando, and Jacksonville, FL).

Provides local truck delivery of packages and freight for over 200 air carriers.

Division includes New York Convention Concierge which provides services such as theater tickets, dining, transportation and other special arrangements for N.Y. area visitors.

=====
Until -----, 1996 (twenty-five days after the date of this Prospectus), all dealers effecting transactions in the registered securities, whether or not participating in the distribution thereof, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotment or subscriptions.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	Page

<S>	<C>
Prospectus Summary	4
Summary Consolidated Financial Information	7
Risk Factors	9
Use of Proceeds	16
Capitalization	17
Price Range of Securities	18
Dividend Policy	18
Selected Historical and Pro Forma Consolidated Financial Data	19
Management's Discussion and Analysis of Results of Operations and Financial Condition	21
Business	25
Management	32
Certain Transactions	36
Principal Shareholders	38
Description of Securities	38
Shares Eligible for Future Sale	40
Underwriting	41
Concurrent Offering	42
Legal Opinions	43
Experts	43
Additional Information	43
Available Information	44
Index to Consolidated Financial Statements	F-1

</TABLE>

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied on as having been authorized by the Company. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy, by any person in any jurisdiction in which it is unlawful for such person to make such offer or solicitation. Neither the delivery of this Prospectus nor any offer, solicitation or sale made hereunder, shall under any circumstances create an implication that the information herein is correct as of any time subsequent to the date of the Prospectus.

2,115,000 Units

PROSPECTUS

FIRST LONDON
SECURITIES CORPORATION

, 1996

=====
[Alternate Page for Selling Shareholder Prospectus]

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

PRELIMINARY PROSPECTUS DATED AUGUST 26, 1996 SUBJECT TO COMPLETION

U.S. TRANSPORTATION SYSTEMS, INC.
211,111 SHARES OF COMMON STOCK

This Prospectus relates to the sale by certain selling shareholders (the "Selling Shareholders") of 211,111 shares of Common Stock. None of the proceeds from the sale of the Common Stock (collectively, the "Securities") by the Selling Shareholders will be received by the Company. The Company will bear all expenses (other than selling commissions and fees and expenses of counsel or other advisors to the Selling Shareholders) in connection with the registration and sale of the Common Stock being offered by the Selling Shareholders. See "Selling Shareholders."

The Securities will be offered by the Selling Shareholders in transactions in the over-the-counter market, in negotiated transactions or a combination of such methods of sale, at fixed prices which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices, or at negotiated prices. The Selling Shareholders may effect such transactions by selling the Securities to or through broker/dealers, and such broker/dealers may receive compensation in the form of discounts, concessions or commissions from the Selling Shareholders and/or the purchasers of the Common Stock for whom such broker/dealers may act as agent or to whom they sell as principal, or both. The Selling Shareholders may be deemed to be "underwriters" as defined in the Securities Act of 1933 (the "Securities Act"). If any broker-dealers are used by the Selling Shareholders, any commissions paid to broker-dealers and, if broker-dealers purchase any shares of Common Stock as principals, any profits received by such broker-dealers on the resales of the shares of Common Stock may be deemed to be underwriting discounts or commissions under the Securities Act. In addition, any profits realized by the Selling Shareholders may be deemed to be underwriting commissions. All costs, expenses and fees in connection with the registration of the shares offered by selling Shareholders will be borne by the Company. Brokerage commissions, if any, attributable to the sale of the shares will be borne by the Selling Shareholders. See "Selling Shareholders" and "Plan of Distribution."

The Units, Common Stock and Class C Warrants are traded on The Nasdaq SmallCap Market ("Nasdaq") under the symbols "USTSU," "USTS" and "USTSW," respectively.

Concurrently with the commencement of this offering, the Company offered by separate Prospectus, 2,115,000 Units. The Company's offering (the "Offering") is being offered through First London Securities Corporation (the "Representative").

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK.
SEE "RISK FACTORS" PAGE 9.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is , 1996.

[Alternate Page for Selling Shareholder Prospectus]

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission, Washington, D.C. (the "Commission") a Registration Statement on Form SB-2 under the Securities Act with respect to the securities offered by this Prospectus. For further information with respect to the securities offered hereby, reference is made to the Registration Statement and to the exhibits listed in the Registration Statement.

The Company is subject to the information requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Commission. Reports, Proxy Statements and other information can be inspected and copies made at the public reference facilities of the Commission, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as the following Regional Offices: 7 World Trade Center, New York, New York, 10007, and Room 1204 Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois, 60604. Copies can also be obtained at prescribed rates from the Commission's Public Reference Section, Judiciary Plaza, 450 Fifth Avenue, N.W., Washington, D.C. 20549.

THE OFFERING

Securities Offered	211,111 shares of Common Stock
Common Stock outstanding.....	5,460,702 shares of Common Stock
Class C Warrants outstanding...	2,115,000 Class C Warrants

Use of Proceeds.....	The Company will not receive any proceeds from this Offering. The Company intends to use the net proceeds of the Offering for the repayment of certain indebtedness, including \$1,200,000 principal amount of promissory notes (the "Bridge Notes") issued in the Bridge Financing, for working capital, and to finance expansion of its existing businesses and potential acquisitions. See "Use of Proceeds."
Risk Factors.....	The securities offered hereby involve a high degree of risk. See "Risk Factors."
Proposed Nasdaq Trading Symbols:.....	
Units.....	USTSU
Common Stock.....	USTS
Class C Warrants.....	USTSW

1

[Alternate Page for Selling Shareholder Prospectus]

USE OF PROCEEDS

The Company will not receive any proceeds from the sale of Units or shares of Common Stock by the Selling Stockholders. The net proceeds to the Company from the sale of the Units offered by the Underwriters, after deducting underwriting discounts and commissions and other expenses of the Offering payable by the Company, are estimated to be \$7,376,250 (\$8,527,688) if the Over-Allotment Option is exercised in full).

The Company has allocated (i) \$1,220,000 to repay principal and accrued interest on the Bridge Notes issued in the Bridge Financing (the proceeds of which were used for working capital) and (ii) \$600,000 to repay certain high interest loans.

The Company intends to use the balance of the net proceeds from the Offering for working capital and strategic acquisitions. Part of the Company's business strategy is to continue its growth through one or more acquisitions, although the Company has not, to date, identified any particular company to acquire. The Company continues to negotiate with and conduct due diligence reviews with respect to potential acquisition candidates, although no such acquisition is probable as of the date hereof. To the extent that such identification is made in the future, a portion of the net proceeds may be utilized for the purchase price, necessary equipment and working capital for such acquisition(s). In addition, working capital will be needed for (i) future expansion of ASI as governmental regulations increase the demand for driver and passenger-side airbags; (ii) expansion of the Armstrong package and freight delivery services to other locations; and (iii) the procurement of new transportation contracts to be performed by the Company's existing transportation services providers. The Company expects that approximately \$750,000 will be used for the cost of enlarged building facilities for Armstrong and \$250,000 will be used for the cost of relocating ASI to larger facilities in Phoenix, Arizona.

Any additional proceeds from the exercise of the Over-Allotment Option, the Class C Warrants or the Underwriters' Unit Purchase Option will be used for general corporate purposes.

The foregoing represents the Company's best estimates of the anticipated use of the net proceeds of the Company based upon its present plans and certain assumptions regarding general economic conditions and the Company's future revenues and expenditures. Proceeds not immediately required for specified uses will be invested principally in United States government securities, short-term certificates of deposit, money market funds or other short-term interest-bearing investments.

16

TRANSFER AGENT AND CLASS C WARRANT AGENT

The transfer agent and registrar for the Common Stock and the warrant agent for the Class C Warrants is Continental Stock Transfer & Trust Co.

SHARES ELIGIBLE FOR FUTURE SALE

Of the 3,226,258 shares of Common Stock of the Company outstanding as of June 30, 1996, 667,170 shares are restricted securities, as that term is defined in Rule 144 promulgated under the Securities Act, and 69,136 Units offered for sale hereby are subject to a six month "lock-up" period. Absent registration under the Securities Act, the sale of such restricted shares is subject to Rule 144, as promulgated under the Securities Act. In general, under Rule 144, subject to the satisfaction of certain other conditions, a person, including an affiliate of the Company, who has beneficially owned restricted shares of Common Stock for at least two years is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the total number of outstanding shares of the same class, or if the Common Stock is quoted on Nasdaq, the average weekly trading volume during the four calendar weeks preceding the sale. A person who has not been an affiliate of the Company for at least three months immediately preceding the sale and who has beneficially owned the shares of Common Stock for at least three years is entitled to sell such shares under Rule 144 without regard to any of the volume limitations described above. The Company's officers, directors and holders of more than 5% of outstanding Common Stock have agreed not to sell their shares for a period of 12 months from the Effective Date without the prior consent of the Representative. No assurance can be made as to the effect, if any, that sales of shares of Common Stock or the availability of such shares for sale will have on the market prices prevailing from time to time. Nevertheless, the possibility that substantial amounts of Common Stock may be sold in the public market may adversely affect prevailing market prices for the Common Stock and could impair the Company's ability to raise capital in the future through the sale of equity securities.

CONCURRENT REGISTRATION OF UNITS

Concurrently with this Offering, the Company and certain Selling Securityholders are offering 2,115,000 Units in a public offering through the Underwriters.

SELLING SHAREHOLDERS AND PLAN OF DISTRIBUTION

An aggregate of 211,000 shares of Common Stock may be sold by Selling Securityholders. The Company will not receive any proceeds from the sale of the Selling Securityholder Securities. Sales of securities by Selling Securityholders or even the potential of such sales could have an adverse effect on the market prices of the Units, the Common Stock and the Class C Warrants.

There are no material relationships between any of the Selling Securityholders and the Company, nor have any such material relationships between any of the Selling Securityholders and the Company existed within the past three years. The Company has been informed by the Underwriters that there are no agreements between the Underwriters and any Selling Securityholder regarding the distribution of the Selling Securityholder Securities.

The sale of the securities by the Selling Securityholders may be effected from time to time in transactions (which may include block transactions by or for the account of the Selling Securityholders) in the over-the-counter market or in negotiated transactions, a combination of such methods of sale or otherwise. Sales may be made at fixed prices which may be changed, at market prices or in negotiated transactions, a combination of such methods of sale or otherwise.

Selling Securityholders may effect such transactions by selling their securities directly to purchasers, through broker-dealers acting as agents

for the Selling Securityholders or to broker-dealers who may purchase shares as principals and thereafter sell the securities from time to time in the over-the-counter market, in negotiated transactions or otherwise. Such broker-dealers, if any, may receive compensation in the form of discounts, concessions or commissions from the Selling Securityholders and/or the purchasers from whom such broker-dealer may act as agents or to whom they may sell as principals or otherwise.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the Selling Securityholder's Securities may not simultaneously engage in market-making activities with respect to any securities of the Company during the applicable "cooling-off" period (at least two and possibly nine business days) prior to the commencement of such distribution. Accordingly, in the event the Underwriters are engaged in a distribution of the Selling Securityholder securities, neither of such firms will be able to make a market in the Company's securities during the applicable restrictive period. However, the Underwriters have not agreed to nor is either of them obligated to act as broker-dealer in the sale of the Selling Securityholder securities. In addition, each Selling Securityholder desiring to sell will be subject to the applicable provisions of the Exchange Act and the rules and regulations thereunder, including without limitation Rules 10b-6 and 10b-7, which provisions may limit the timing of the purchases and sales of shares of the Company's securities by such Selling Securityholder.

The Selling Securityholders and broker-dealers, if any, acting in connection with such sales might be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act and any commission received by them and any profit on the resale of the securities might be deemed to be underwriting discount and commissions under the Securities Act.

The following table sets forth the number of shares of Common Stock to be offered for sale by each Selling Securityholder. Except for the Common Stock the Selling Securityholders have no beneficial ownership of the Company's securities and upon the sale of all securities offered, will have no beneficial ownership of the Company's securities.

<TABLE>
<CAPTION>

	Shares of Common Stock -----
<S>	<C>
William Orr	16,667
Ronald Sorci	119,444
Brake Alert, Inc.	75,000

</TABLE>

LEGAL OPINIONS

Certain legal matters with respect to the issuance of the securities offered hereby will be passed upon for the Company by Schneck Weltman Hashmall & Mischel LLP, New York, New York. Winstead Sechrest & Minick P.C., Dallas, Texas, has acted as counsel for the Underwriter in connection with the underwritten Offering.

EXPERTS

The Consolidated Financial Statements included in this Prospectus and elsewhere in the Registration Statement as of December 31, 1995 and for the year then ended have been audited by Mahoney Cohen Rashba & Pokart, CPA, PC, independent public accountants as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report. The Consolidated Financial Statements included in this Prospectus and elsewhere in the Registration Statement for the year ended December 31, 1994 have been audited by Moore Stephens, P.C. (formerly Mortenson and Associates, P.C.), independent public accountants as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

On January 9, 1996, the Company, by action of the Board of Directors, dismissed Moore Stephens, P.C. (formerly Mortenson and Associates, P.C.), from its engagement as the Registrant's principal accountant to audit the Registrant's financial statements for the year ended December 31, 1995.

The report of Moore Stephens, P.C. (formerly Mortenson and Associates, P.C.) on the Company's financial statements for the years ended December 31, 1994 and 1993 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles. There had been no disagreement on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to Moore Stephens, P.C.'s (formerly Mortenson and Associates, P.C.) satisfaction, would have caused Moore Stephens, P.C. (formerly Mortenson and Associates, P.C.) to make reference in connection with its reports to the subject matter of the disagreement.

ADDITIONAL INFORMATION

The Company has filed with the Commission, Washington, D.C., a Registration Statement on Form SB-2 under the Securities Act with respect to the securities offered by this Prospectus. For further information with respect to the securities offered hereby, reference is made to the Registration Statement and to the exhibits listed in the Registration Statement.

The Company is subject to the information requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Commission. Reports, Proxy Statements and other information can be inspected and copies made at the public reference facilities of the Commission, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as the following Regional Offices: 7 World Trade Center, New York, New York, 10007, and Room 1204 Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois, 60604. Copies can also be obtained at prescribed rates from the Commission's Public Reference Section, Judiciary Plaza, 450 Fifth Avenue, N.W., Washington, D.C. 20549.

The Commission maintains a World Wide Web Site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

3

PART II INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 78.751 of the General Corporation Law of the State of Nevada authorizes a corporation to provide indemnification to a director, employee or agent of the corporation, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding, if such party acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful as determined in accordance with the statute.

Section 78.751 further provides that indemnification shall be provided if the party in question is successful on the merits.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a Director, officer or controlling person in connection with the securities being registered) the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Indemnification Undertaking In Accordance with Item 512(i) of Regulations S-K

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act") may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been informed that in the opinion of the

Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefor unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and is therefor unenforceable and will be governed by the final adjudication of such issue.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

<TABLE>

<CAPTION>

<S>	<C>
SEC Registration Fee	\$ 13,727
NASD Filing Fee	\$ 4,601
Nasdaq listing expenses*	\$ 15,000
Transfer Agent Fees*	\$ 2,500
Printing Costs*	\$ 30,000
Legal Fees and Expenses*	\$100,000
Accounting Fees and Expenses*	\$ 40,000
Blue Sky Fees and Expenses*	\$ 27,000
Miscellaneous*	\$ 67,172

Total	\$300,000
	=====

</TABLE>

* Indicates expenses that have been estimated for the purpose of filing.

II-1

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES

Except as set forth below, there were no sales of unregistered securities by the Company during the prior three years:

On July 25, 1994, the Company issued 8,333 shares of Common Stock to Gold Transportation Services as compensation for a lease termination. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to a company whose principals had access to detailed information about the Company and were buying for their own accounts.

On August 15 1994, the Company issued 183,333 shares of Common Stock to Michael Margolies, Jay Owen Margolies and Terry Watkins pursuant to the Company's Restricted Stock Grant program. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to individuals who had access to detailed information about the Company and were buying for their own accounts.

On September 1, 1994 the Company issued 58,333 shares of Common Stock to Suncoast School Transportation Corporation in consideration of certain assets related to Suncoast Transportation. In January 1995 the Company issued an additional 4,167 shares upon amendment of the agreement relating to the acquisition. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to an individual who had access to detailed information about the Company and was buying for his own account.

On December 31, 1994 the Company issued a total of 180,000 shares of Series C Preferred Stock to Michael Margolies, Jay Owen Margolies, and the Margolies Family Trust in consideration of the outstanding capital stock of Camelot Consultants, Inc. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to individuals who had access to detailed information about the Company and were buying for their own accounts.

On June 12, 1995 the Company issued 5,833 shares of Common Stock to Stock Deck Communications, Ltd. as payment for advertising services. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to a corporation whose principals had access to detailed information about the Company and were buying for their own account.

On June 30, 1995 the Company issued 130,000 shares of Common Stock to Bart and Joanne Citro as payment for two corporations known as "Armstrong Freight Service". The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to individuals who had access to detailed information about the Company and were buying for their own account.

On July 19, 1995 the Company issued a total of 19,421 shares of Common Stock to Bart Citro, Russell Jarmusch and Larry Schaefer as payment for the corporation known as "Trans Lynx Express Inc. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to individuals who had access to detailed information about the Company and were buying for their own account.

On July 1, 1995 the Company issued 16,667 shares of Common Stock to Sheldon Kraft as payment for consulting services. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to an individual who had access to detailed information about the Company and was buying for his own account.

On July 1, 1995 the Company issued 33,333 shares of Common Stock to Corporate Network, Inc. as payment for radio broadcasting services. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to a corporation whose principals had access to detailed information about the Company and were buying for their own account.

On September 30, 1995 the Company issued 50,000 shares of Common Stock to American Trade-A-Bus, Inc. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to a corporation whose principals had access to detailed information about the Company and were buying for their own account.

II-2

In November 1995, the Company issued 300,000 shares of Common Stock to William F. Baker, Jamal Sakiou and Pierre Metivier in consideration of the outstanding capital stock of Automated Solutions, Inc. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to individuals who had access to detailed information about the Company and were buying for their own account.

On February 23, 1996, the Company purchased certain personal property, intangible assets and contract rights from Krogel Air Freight, Inc. and Krogel Freight Systems of Tampa, Inc. for \$150,000 in cash and 18,333 shares of Common Stock. The sale was exempt pursuant to Section 4(2) of the Act since the sale was not made in a public offering and was made to a corporation whose principals had access to detailed information about the Company and were buying for their own account.

In November, 1995, the Company issued 8% convertible debentures in the principal amount of \$1,776,228, which debentures were converted by the holders into 753,667 shares of Common Stock in January 1996. The sales of debentures was exempt from registration pursuant to Regulation S.

In January, 1996, the Company issued 8% convertible preferred stock in the principal amount of \$300,000, which preferred stock were converted by the holders into 88,889 shares of Common Stock in January 1996. The sale of preferred stock was exempt from registration pursuant to Regulation S.

In July 1996, the Company issued 16,667 shares of Common Stock to William Orr in connection with his agreement not to compete with the Company.

In July 1996, the Company issued 119,444 shares of Common Stock to Ronald P. Sorci in connection with his agreement not to compete with the Company.

Except as noted, the sales set forth above are claimed to be exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933, as transactions by an issuer not involving any public offering.

ITEM 27. LIST OF EXHIBITS

<TABLE>

<CAPTION>

Exhibit	Description of Exhibit	Page No.
<S>	<C>	<C>
1-a	Form of Underwriting Agreement*	

- 3-a. Articles of Incorporation, as amended to January 13, 1986. (1)
- 3-a(1) Certificate of Amendment of Certificate of Incorporation -- filed as an exhibit to Quarterly Report on Form 10-Q for Quarter Ended September 30, 1990 and incorporated herein by reference.
- 3-a(2) Certificate of Amendment of Certificate of Incorporation dated March 7, 1994. (3)
- 3-a(3) Form of Certificate of Designation of Series A Preferred Stock. (3)
- 3-a(4) Certificate of Designation of Series C Preferred Stock. (3)
- 3-b. By-laws. (1)
- 4-a. Specimen of Common Stock Certificate. (1)
- 4-b Specimen of Preferred Stock Certificate. (3)
- 4-c. Specimen of Class A Warrant; Specimen of Class B Warrant. (3)
- 4-d. Form of Class A and Class B Warrant Agreement. (3)
- 4-e Form of Class C Warrant Agency Agreement between the Company and Continental Stock Transfer & Trust Co.
- 4-f Specimen of Class C Warrant Certificate
- 4-g Form of Underwriter's Warrant*
- 5 Opinion of Schneck Weltman Hashmall & Mischel LLP
- 10-a. Employee Stock Option Plan. (1)

II-3

Exhibit	Description of Exhibit	Page No.
10-b.	Employee Profit Sharing Plan. (1)	
10-c.	Loan and Security Agreement with CIT Group dated September 2, 1993 - filed as an exhibit to the Company's registration statement on Form S-1 (33-42894) and incorporated herein by reference.	
10-d.	Restricted Stock Grant Program. (2)	
10-e.	Plan of Reorganization - filed as an exhibit to the Company's Current Report on Form 8-K dated September 21, 1989 and incorporated herein by reference.	
10-f.	Agreement dated April 6, 1987 between the Company and Ford Motor Company - filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1986 and incorporated herein by reference.	
10-g.	Amendment to the Company's Agreement with Ford Motor Company dated July 1, 1991. Confidential treatment has been requested for certain portions of this exhibit, and these portions have been omitted. (2)	
10-h(1)	Stock Purchase Agreement dated December 26, 1994 related to acquisition of Camelot Consultants, Inc. (3)	
10-h(2)	Exchange Agreement dated January 20, 1995 related to acquisition of Camelot Consultants, Inc. (3)	
10-i	Stock Purchase Agreement dated October 8, 1994 between the Company and American Trade-A-Bus, Inc. (3)	
10-j(1)	Letter of Agreement between the Company and Argent Securities, Inc. dated December 1, 1994. (3)	
10-j(3)	Warrant to Purchase Shares issued by the Company to Argent Securities, Inc. dated December 1, 1994. (3)	
10-k(1)	Asset Purchase Agreement dated August 31, 1994 among Suncoast Holdings, Inc., Suncoast School Transportation Corporation, and U.S. Transportation Systems, Inc. (3)	
10-k(2)	Amendment to Asset Purchase Agreement dated January 20, 1995 among Suncoast Holdings, Inc., Suncoast School Transportation Corporation, and U.S. Transportation Systems, Inc. (3)	
11.	Statement re: computation of per share earnings for period ended December 31, 1995*	
22.	Subsidiaries --	

Shortway River Rouge, Inc.
 Black & White Cab Company, Inc.
 Downtown Theater Ticket Agency, Inc.
 Premier Box Office, Inc.
 Broadway Theatours, Inc.
 Transportation Systems Corp.
 American Trade-A-Bus of Texas, Inc.
 Automated Solutions, Inc.
 Trans Lynx Express, Inc.
 Priority Express Service, Inc. d/b/a Armstrong Freight Services
 Advance Entertainment - Chicago, Inc.
 Transportation Management Services, Inc.
 Bus Properties, Inc.
 Jetport Express, Inc.
 Jay & Jay Transportation, Inc.

II-4

Exhibit	Description of Exhibit	Page No.
24-a	Consent of Mahoney Cohen Rashba & Pokart, CPA	
24-b	Consent of Moore Stephens, PC	
24-c	Consent of Schneck Weltman Hashmall & Mischel LLP (contained in exhibit 5)	

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- * Previously filed with this Registration Statement.
- (1) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's S-1 registration statement (File Number 33-1071).
 - (2) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's SB-2 registration statement (File Number 33-70862).
 - (3) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's SB-2 registration statement (File Number 33-79738).

ITEM 28. UNDERTAKINGS

A. CERTIFICATES

The undersigned company hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the

question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

II-5

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Elmsford and the State of New York on the day of August 23, 1996.

U.S. TRANSPORTATION SYSTEMS, INC.

By: /s/ MICHAEL MARGOLIES

Michael Margolies, Chief
Executive Officer

In accordance with to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities indicated on August 23, 1996.

<TABLE>

<CAPTION>

Name	Title
----- <S> /s/ MICHAEL MARGOLIES ----- Michael Margolies	<C> Chief Executive Officer, Chairman of the Board and President
----- /s/ JAY OWEN MARGOLIES ----- Jay Owen Margolies	Director
----- /s/ K. THOMAS WEGERBAUER ----- K. Thomas Wegerbauer	Director
----- /S/ ROBERT I. BLACKMAN ----- Robert I. Blackman	Director
----- /s/ STANLEY CHASON ----- Stanley Chason	Director
----- /s/ TERRY A. WATKINS ----- Terry A. Watkins	Executive Vice President, Chief Financial Officer (Principal Accounting Officer) and Secretary

</TABLE>

II-6

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form SB-2 of our report dated March 30, 1996, on our audit of the financial statements of U.S. Transportation Systems, Inc. as of and for the year ended December 31, 1995. We also consent to the reference to our firm under the caption "Experts."

MAHONEY COHEN RASHBA & POKART, CPA, PC

New York, NY
August 26, 1996

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the reference to our firm under the heading "Experts" and to the use of our report dated March 29, 1995 in this Registration Statement [Form SB-2] for U.S. Transportation Systems, Inc.

On July 1, 1996, the firm of Mortenson and Associates, P.C. changed its name to Moore Stephens, P.C.

MOORE STEPHENS, P.C.
Certified Public Accountants

Cranford, New Jersey
August 26, 1996