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U S INDUSTRIAL SERVICES INC
Form 10KSB
February 21, 2001

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-KSB

(Mark One)

Annual report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended September 30, 2000.

Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

COMMISSION FILE NUMBER 0-22388

US INDUSTRIAL SERVICES, INC.

(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

Delaware

99-0273889

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

40 Skokie Boulevard, Suite 110, Northbrook, Illinois

60062

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number (847) 509-8500

Securities to be registered under Section 12(g) of the Act:

(Title of class)

Common Stock, \$.01 par value

Name of exchange on which registered

OTC Bulletin Board

Securities to be registered under Section 12(g) of the Act: None

(Title of Class)

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or

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information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB []

State issuer's revenues for its most recent fiscal year.
\$13,511,000

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days.
\$4,900,000 as of February 14, 2001

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Documents incorporated by reference.
None

TRANSITIONAL SMALL BUSINESS DISCLOSURE

Format (Check one):
Yes [] No [X]

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US INDUSTRIAL SERVICES, INC.

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Organization and Recent Developments

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US Industrial Services, Inc. a Delaware corporation (the "Company" or "USIS"), is the successor to EIF Holdings, Inc., a Hawaii corporation ("EIFH"). In May 1998, the EIFH shareholders approved a merger with and into USIS, a newly-formed wholly owned subsidiary of EIFH. The merger, which became effective in June 1998, resulted in a change in name and in the state of incorporation and also in a 1-for-10 reverse stock split of the outstanding Common Stock. All share information in this report gives effect to the reverse stock split.

Subsequent to the May 1998 reincorporation and recapitalization (the "Reincorporation"), the Company affected a conversion of a substantial portion of its unsecured debt to equity, disposed of most operating businesses and is seeking to refocus its activities in other industries.

In November 1997, the Company completed the acquisition of J.L. Manta, Inc. an Illinois corporation ("Manta"), which provided specialty coatings and industrial maintenance services. The consideration paid by the Company included \$4,725,321 of cash and \$2,235,312 of convertible promissory notes, payable in installments, with the final payment due on November 18, 2000. The Company also entered into Retention Bonus Agreements with key Manta managers providing for bonus payments aggregating \$900,000 to be amortized by the company over a six year period and issued 50,000 options to purchase 50,000 shares of USIS Common Stock, with a life of three years and an exercise price of \$3.40. In connection with the acquisition, Manta entered into a \$10.0 million credit facility.

In November 1998, the Company sold the assets and liabilities of Manta, including the credit facility, to Kenny Industrial Services, L.L.C. ("Kenny"), for \$23.0 million, consisting of a combination of \$3.0 million of cash, a short term note of \$15.0 million, which was paid December 15, 1998, and \$5.0 million in notes due as follows: \$1 million in November 1999, \$1 million in November 2000, \$1 million in November 2001 and \$2 million in November 2002; together with interest at 5%.

On December 31, 1998, the Company sold the assets and liabilities of P.W. Stephens Residential Inc. ("Residential") American Temporary Sanitation Inc. for \$2.4 million, consisting of \$1 million in cash and a five year promissory note for \$1.4 million, payable in equal quarterly installments through 2004, together with interest at the Prime Rate plus 2.5% per annum.

Upon the Reincorporation, American Eco Corporation, an Ontario, Canada corporation ("American Eco"), acquired 1,000,000 shares of the Company's Common Stock pursuant to a February 1996 Stock Purchase Agreement. The closing had been delayed pending the Recapitalization. At that time, American Eco held certain promissory notes (the "Notes") of the Company consisting of outstanding principal and interest in the aggregate amount of \$17.9 million. The outstanding amount of the Notes had been reduced by \$1 million, representing the purchase price for the 1,000,000 shares. In 1996, American Eco had provided the Company a \$5.2 million line of credit, which line of credit was convertible into shares of the Company's Common Stock at a price equal to 85.0% of the five day weighted average price of such shares immediately preceding the conversion date.

As of July 24, 1998, American Eco sold the Notes to USIS Acquisition, L.L.C. (the "Holder") for \$5.0 million in cash and a secured promissory note for \$12.9 million repayable on January 29, 1999. The Holder converted the Notes into 5,295,858 shares of the Company's Common Stock, and secured its promissory note to American Eco with a pledge of the 5,295,858 shares. In November 1998, the Holder advised American Eco that the Holder would not be able to pay its note at

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maturity, and American Eco took ownership of the pledged shares in discharge of the Holder's note. In November 1998, American Eco owned 7,175,858 shares of the Company's Common Stock representing 81.9% of the outstanding shares. The Company was a majority-owned subsidiary of American Eco Corporation ("AEC") through July 21, 2000 at which time control was obtained by Deere Park Capital, L.L.C. ("Deere Park") Deere Park acquired approximately 81.9% of the Company's common stock. On December 21, 2000 Deere Park sold 50% of its interest to an individual and currently the Company is not a majority owned subsidiary of any entity. As noted below, the Company sold substantially all of its operating assets on September 29, 2000.

Effective June 22, 1998, the Company completed a recapitalization and reincorporation through a merger with USIS, a newly formed Delaware corporation, and wholly owned subsidiary of EIF Holdings, Inc. USIS became the surviving company, and all outstanding shares of EIF common stock were exchanged on a one-for-one basis for shares of USIS common stock.

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Historical

EIF Holdings, Inc. was formed in the State of Hawaii in 1989, and migrated to Delaware in 1998 and in connection therewith changed its name to U.S. Industrial Services, Inc. Until late 1997, the Company was primarily engaged in environmental construction related industries, more specifically, asbestos abatement, both commercial and residential, lead removal, and soil and groundwater remediation. The Company was also involved, to a limited extent, in the energy management business. These activities, in particular the commercial asbestos abatement business, involved a high percentage of relatively large, fixed-price contracts under which the Company assumed significant financial risks. The Company incurred substantial losses on a number of major contracts and consequently reported substantial operating losses during the three-year period ended September 30, 1997.

In May 1997, the Company changed its focus to the specialized maintenance industry, an industry characterized by a predominance of cost-plus contracts, creditworthy industrial customers and significant repeat business. Management also sought to eliminate unprofitable operations, reduce the Company overhead costs, recapitalize the Company's balance sheet, and effect acquisitions in the specialized maintenance industry. The acquisition of Manta was a result of this strategy.

The primary businesses of the Company have been acquired through a series of acquisitions. In January 1993, the Company acquired P.W. Stephens Contractors, Inc., ("P.W. Stephens") which was engaged in the environmental contracting industry, primarily focusing on the removal of materials containing asbestos, but also offering lead hazard removal, insulation and other hazardous materials clean-up services. Services were offered to the commercial, industrial and institutional markets, primarily in the states of California, Hawaii and Nevada. These operations were conducted out of seven branch offices located throughout the service area. Services were offered to the residential market in California through Residential, a California corporation, and a wholly-owned subsidiary of P. W. Stephens. As previously mentioned, Residential was sold as of December 31, 1998. In the fourth quarter of 1996, the Company assumed the assets of QHI, Inc., a California corporation out of bankruptcy, which provided

asbestos abatement services to the commercial, industrial and institutional markets.

The commercial asbestos operations of P. W. Stephens had generated operating losses over each of the years from 1995 to 1997. As part of management's efforts to eliminate unprofitable operations, all of the operations of P. W. Stephens, with the exception of Residential, were discontinued by the Company in May 1997.

In August 1994, the Company acquired VonGuard Holdings, Inc. ("Vanguard"), and its subsidiaries. VonGuard was formed as a Missouri corporation in 1992, as a holding company to acquire FCA Services, Inc. ("FCA") and Remediation Services, Inc. ("RSI"). FCA had been in business since 1987 and RSI since 1989. In June 1996, VonGuard and Enstar-North American, Inc., a subsidiary of VonGuard, were merged into FCA and the name of the entity was changed to P. W. Stevens Services, Inc., a Missouri corporation. At the same time, Select Abatement, Inc., a subsidiary of VonGuard, was merged into RSI and the name of that entity was changed to P. W. Stephens Contractors, Inc., a Missouri corporation. P.W. Stephens Services, Inc. and P. W. Stephens Contractors, Inc. (Missouri) are collectively referred to as "P. W. Stephens - St. Louis" or "St. Louis". P. W. Stephens - St Louis provides industrial cleaning and remediation services, including soil and groundwater remediation, hazardous materials management and clean-up, asbestos abatement and lead hazard removal service, to clients, primarily located in the states of Illinois, Iowa, Missouri, Nebraska and Washington.

In December 1994, the Company acquired Kelar Controls, Inc., a California corporation ("Kelar"). Kelar primarily installed new or retrofitted energy management controls and conservation equipment for large storage and warehouse facilities. Management of the Company determined that the business of Kelar was not consistent with the strategic direction of the Company and sold Kelar to Regal Oak Properties, Inc., effective June 30, 1997, for a one-year 10% interest-bearing note in the principal amount of \$2.5 million. This note, including interest, was satisfied in August of 1998.

Services Provided By Continuing Subsidiaries

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Environmental Remediation Services

Asbestos Abatement

From 1910 until 1978, asbestos was a common ingredient in building materials due primarily to its ability to retard fire, absorb heat from friction, provide insulation from heat and cold, resist corrosion and add tensile strength. The Environmental Protection Agency, ("EPA"), began to ban the use of asbestos in construction products in 1973, in response to evidence that asbestos causes certain forms of cancer and poses other health hazards. The first Federal regulations requiring the removal of asbestos, however, did not appear until 1986 when Congress passed the Asbestos Hazard Emergency Response Act ("AHERA").

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This legislation required all public schools to identify materials containing asbestos and develop management programs. An increase in awareness of asbestos hazards led to an increased demand for abatement. However, since 1990, there has been a trend toward management in place rather than removal where possible. The EPA now recommends abatement only when other options, such as management in place, will not work, or when renovation will disturb the material and cause a potential health risk to workers. Although there are currently no laws requiring the removal of asbestos from buildings, there are numerous federal, state and local regulations which govern the removal or disturbance of asbestos through demolition, renovation, remodeling, or repairs.

Strategy

In November 1998, the Company adopted a strategic plan to sell off all industrial service and environmental companies with the goal of rebuilding the Company with a clean balance sheet and engaging in a line of business related to another industry. The implementation of this strategy began when the Company sold the assets and liabilities of Manta on November 30, 1998. The second step was completed on December 31, 1998 when the

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Company sold the assets and liabilities of Residential. Management is continuing to evaluate strategic alternatives. On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Government Regulation

The Company's industrial clean-up operation, particular those operations related to environmental and asbestos removal, are strictly regulated by statutes and regulations administered by several federal, state and local agencies. These statutes and regulations cover all aspects of the environmental health and safety industry as well as the construction industry in general. The Company's operations and compliance with statutes and regulations are reviewed by various governmental agencies and, from time to time, these agencies may make requests for information or issue citations for noncompliance.

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Federal Regulation

Asbestos abatement operations are subject to regulation by federal, state, and local governmental authorities, including OSHA, EPA and the United States Department of Transportation ("DOT"). In general, OSHA regulations set the maximum asbestos fiber exposure levels applicable to employees and the EPA

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regulations provide asbestos fiber emission control standards. The EPA requires use of accredited persons for both inspection and abatement. OSHA has promulgated regulations specifying airborne asbestos fiber exposure standards for workers, engineering and administrative controls, workplace practices, and medical surveillance and worker protection requirements. OSHA's construction standards require companies removing asbestos fibers to conduct air monitoring, to provide decontamination units and to appropriately supervise the operations. Transportation and disposal activities are also regulated. The DOT sets standards for management of the packaging and transportation of asbestos.

Lead hazard removal is currently regulated by OSHA and the EPA. In general, OSHA regulations set the permissible lead exposure level for construction workers and EPA regulates emission of lead into the air and soil. Disposal of lead containing material is regulated under the Resource Conservation Recovery Act (RCRA). The EPA has been mandated by Title X (the Residential Housing Act of 1992) to have contractor training and certification requirements in place during 1994. These interim training guidelines were implemented on November 1, 1994. On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

State and Local Regulations

P.W. Stephens St. Louis provided services in the states of Illinois, Iowa, Missouri, Nebraska and Washington. Each state has its own local laws and regulations to supplement the federal laws. A number of states have promulgated regulations setting forth such requirements as registration or licensing of asbestos abatement contractors, training courses and licensing for workers, notification of intent to undertake abatement projects and requires approvals from certain state agencies. Management believes the Company holds all necessary licenses and permits required by these states for business operation.

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens

Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Other Laws

The Company's activities are subject to various federal environmental protection and similar laws, including, without limitation, the Clean Air Act, the Hazardous Materials Transportation Act and the Toxic Substances Control Act. Many states, also have adopted laws for the protection of the environment which may affect the Company, including laws governing the generation, handling, transportation and disposition of hazardous substances as well as laws governing the investigation and clean-up of, and liability for, contaminated sites. Some of these state provisions are broader and more stringent than existing federal

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laws and regulations. The failure of the Company to comply and conform its operations to the requirements of any of these federal or state laws could subject the Company to substantial liabilities which could have a material adverse affect on the Company, its operations and financial condition. The Company cannot predict the extent to which it may be affected by any law or rule that may be enacted or enforced in the future, or any new or different interpretations of existing laws or rules.

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Compliance

The Company believes that it is in substantial compliance with all local, state and federal regulations relating to its operations. To insure such compliance the Company has developed and maintains its own quality control program. As one aspect of this program, the Company's quality control officers perform random inspections before, during, and after project operations. Categories of inspection include isolation barriers, decontamination units, protective equipment, negative pressure, work practices, general housekeeping, air monitoring, disposal, detail and final clean-up, demobilization and enforcement of state regulations.

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Research and Development

Research and development activities for the fiscal years ended September 30, 1999 and 1998 have not been material and the Company has had no customer sponsored research activities during each of these periods. Employees As of January 31, 2001, the Company had 3 full-time personnel employed as executives, directors, administrative and clerical support.

Seasonality

The Company's business is subject to variations in revenues and results of operations for interim periods and from year to year. Increased revenues may not always result in a corresponding increase in results of operations. These conditions are due to a number of characteristics shared by the Company to varying degrees with most other members of the industry, including the following: (1) its business is seasonal (typically less activity in the winter months) and is affected by the scheduling of work at commercial properties and outages at utilities and other

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industrial facilities; (2) its business is labor intensive; (3) its performance on a given project is often dependent on the performance of other contractors, who are working on the same job, over which the Company has no control; and (4) costs ultimately incurred by the Company on a job may be materially affected by such risks as technical problems, labor shortages and disputes, time extensions, weather, delays caused by external timing of large contracts, especially if all or a substantial part of the performance of such contracts occurs within one or two quarters. Accordingly, quarterly results or other interim results should not be considered indicative of results to be expected for any other quarter or for the full fiscal year.

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Royalties, Patents and Trademarks

The Company does not currently own any patents, royalties, trademarks, licenses, franchises or concessions which are material to its business.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's principal corporate office is located at 40 Skokie Blvd., Suite 110, Northbrook, Illinois which consists of office space shared with Deere Park Capital, L.L.C. at no incremental cost to the Company.

ITEM 3. LEGAL PROCEEDINGS

The nature and scope of the Company's business operations bring it into regular contact with the general public, a variety of businesses and government agencies. These activities inherently subject the Company to the hazards of litigation, which are defended in the normal course of business. Management believes that such proceedings are either adequately covered by insurance, or if uninsured, by the estimated losses it has recorded to date. The resolution of such claims, however, could have a material effect on the Company's results of operations or cash flows..

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matter to a vote of shareholders during the last quarter of fiscal 2000.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Prices

The Common Stock of the Company is traded in the over-the-counter market. Quotations are published in the National Quotation Bureau "Pink Sheets" and the OTC Bulletin Board under the symbol USIS.OB. The following table sets forth, for the fiscal quarters indicated, the range of the high ask and low bid

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quotations for the Company's Common Stock as reported by the National Quotation Bureau, Inc. The quotations presented are between broker-dealers and do not include retail mark-ups, mark-downs, or other fees and commissions. As a result, the following quotations may no reflect actual transactions.

Fiscal Year ended September 30, 2000:	HIGH ASK	LOW ASK

Quarter ended September 30, 2000	2.63	0.63
Quarter ended June 30, 2000	2.13	0.53
Quarter ended March 31, 2000	4.75	0.31
Quarter ended December 31, 1999	3.00	0.44

Fiscal Year ended September 30, 1999:	HIGH ASK	LOW ASK

Quarter ended September 30, 1999	19.00	2.63
Quarter ended June 30, 1999	11.06	0.31
Quarter ended March 31, 1999	1.70	0.38
Quarter ended December 31, 1998	0.58	0.38

Stockholders

As of December 31, 2000, the Company had approximately 79 record holders of its Common Stock, as reflected on the books of the Company's transfer agent. A significant number of shares are held in street names and as such the Company believes the actual number of beneficial owners is higher.

Dividends

The Company has not established a policy concerning payment of regular dividends nor has it paid any dividends on its Common Stock to date. Any payment of dividends in the future will be determined by the Board of Directors in light of conditions then existing, including the Company's earnings, financial condition, capital requirements and debt covenants.

Recent sales of Unregistered Securities

Not applicable.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN

General

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc. ("PWSE"), P.W. Stephens Contractors, Inc. ("PWSC"), P.W. Stephens Services, Inc. ("PWSS") and P.W. Stephens Northwest, Inc. ("PWSN") to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220,000. Total consideration for the sale and assignment is \$1,650,000. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Revenue:

Revenue for the year ended September 30, 2000 increased 34.4% to

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\$13,511,000 from \$10,050,000 for the same period in 1999. The increase in revenue can be attributed to performance under a significant contract for soil remediation at the Hanford Nuclear Project in Hanford, Washington, that began in March 1999.

Gross Profit:

Gross profit for the year ended September 30, 2000 increased 21.0% to \$2,706,000 from \$2,236,000 for the same period in 1999. The increase in the gross profit margin can be attributed to the increased sales activity. Gross profit margins decreased from 22.2% to 20.0% primarily due to lower margins relating to the soil remediation contract at the Hanford Nuclear Project.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses for the year ended September 30, 2000 were \$5,796,000 compared to \$2,267,000 for the same period in 1999. Approximately \$360,000 of this increase is attributable to management fees charged by AEC.

Other Income (Expenses):

Other income (expenses) for the years ended September 30, 2000 and 1999 were \$402,000 and \$(5,388,000), respectively. The income in 2000 is attributable primarily to the gain on the sale of PWSE, PWSC, PWSS and PWSN. The expenses in 1999 were due primarily to write-offs of certain notes receivable, the loss on disposal of certain securities and financing fees.

Provision for Income Tax

In fiscal 1998 the Company recognized \$3,842,000 of income tax benefits of the Company's net operating loss carryforwards. The Company reserved \$3,537,000 and \$1,038,000 in 2000 and 1999, respectively, of it not operating loss carryforwards.

Discontinued Operations

Discontinued operation income for the year ended September 30, 1999 is primarily related to the recognition of a gain of \$3,345,000 upon the sale of Manta.

Liquidity and Capital Resources

The Company's existing capital resources as of September 30, 2000 consists of cash and notes totaling \$6,079,000 compared to \$6,346,000 for the year ended September 30, 1999. The Company believes that the proceeds from the sale of assets and the financing arrangements the Company currently has in place will be sufficient throughout the next twelve months to finance its working capital needs, planned capital expenditures, debt service and the outstanding obligations from the Company's discontinued operations. Implementation of the Company's strategic plan of expanding its operation may require additional capital.

During fiscal year 2000 the Company utilized net cash in operating activities of \$129,000, including a net loss of \$6,225,000.

The Company's investing activities provided \$443,000, primarily due to collections from notes receivable from the sale of Manta.

The Company's financing activities utilized \$582,000, primarily due to payments on long-term debt.

Information Regarding Forward Looking Statements

This Form 10-KSB includes forward looking statements within the meaning of section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements included statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Forward looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially. The Company's expectations and beliefs are expressed in good faith and are believed by the Company to have a reasonable basis but there can be no assurance that management's expectations, beliefs or projections will be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in view of the Company could cause actual results to differ materially from those discussed in the forward-looking statements: the availability of debt or equity capital to fund the Company to manage its operations effectively, the collection and realization of its investments and notes receivable, the economic conditions that could affect demand for the Company's services, the adverse outcome of litigation and proceedings, the ability of the Company to complete projects profitably and the severe weather conditions that could delay projects.

ITEM 7. FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
U.S. INDUSTRIAL SERVICES, INC.:

We have audited the accompanying consolidated balance sheet of U.S. Industrial Services, Inc. as of September 30, 2000, and the consolidated statements of operations, stockholders' equity and cash flows for each of the two years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 audits provide 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. Industrial Services, Inc. as of September 30, 2000, and the consolidated results of its operations and its cash flows for each of the two years then ended in conformity with generally accepted accounting principles.

MERDINGER, FRUCHTER, ROSEN & CORSO, P.C.
Certified Public Accountants

New York, New York
February 2, 2001

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U. S. INDUSTRIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2000
(In Thousands)

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ASSETS	
CURRENT ASSETS	
Cash	\$ 12
Receivable on sale of assets	100
Notes receivable, current portion	2,550

Total current assets	2,662
OTHER ASSETS	
Notes receivable, less current portion	3,417

TOTAL ASSETS	\$ 6,079
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 529
Other payables	1,370

Total current liabilities	1,899

COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Common stock, \$.01 par value, 25,000 shares authorized 8,764 shares issued and outstanding	88
Additional paid-in capital	23,177
Accumulated deficit	(19,085)

Total stockholders' equity	4,180

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,079
	=====

The accompanying notes are an integral part of these consolidated financial statements.

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REVENUE	\$ 13,511	\$ 10,050
	-----	-----
COSTS AND EXPENSES		
Direct costs of revenue	10,805	7,814
Selling, general and administrative expenses	5,796	2,267
	-----	-----
	16,601	10,081
	-----	-----
OPERATING LOSS	(3,090)	(31)
	-----	-----
OTHER INCOME (EXPENSE)		
Write-off of notes receivable	--	(1,204)
Loss on disposal of securities	--	(1,298)
Financing fees	--	(2,849)
Gain on sale of subsidiary	379	--
Interest income (expense), net	23	(37)
	-----	-----
Total other income (expense)	402	(5,388)
	-----	-----
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,688)	(5,419)
	-----	-----
INCOME TAX PROVISION	3,537	1,038
	-----	-----
LOSS FROM CONTINUING OPERATIONS	(6,225)	(6,457)
	-----	-----
DISCONTINUED OPERATIONS (NET OF INCOME TAX EFFECT OF \$-0-)		
Earnings from operations of residential asbestos business	--	224
Loss from operations of industrial maintenance business	--	(208)
Gain from sale of industrial maintenance business	--	3,345
	-----	-----
Total earnings from discontinued operations	--	3,361
	-----	-----
NET LOSS	\$ (6,225)	\$ (3,096)
	=====	=====
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE		
Loss from continuing operations	\$ (0.71)	\$ (0.74)
Earnings from discontinued operations	--	0.39
	-----	-----
Net earnings (loss) per common share	(0.71)	(0.35)
	=====	=====
WEIGHTED AVER NUMBER OF SHARES USED IN COMPUTING EARNINGS (LOSS) PER COMMON SHARE		
Basic and diluted	8,764	8,764
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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(In Thousands)

	Common Shares Shares Outstanding	Dollar Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income
	-----	-----	-----	-----
Balance September 30, 1998	8,764	\$ 88	\$ 22,636	\$ (888)
Realized loss on securities, net	--	--	--	888
Issuance of warrants	--	--	48	--
Net loss	--	--	--	--
	-----	-----	-----	-----
Balance, September 30, 1999	8,764	88	22,684	--
Issuance of warrants	--	--	493	--
Net loss	--	--	--	--
	-----	-----	-----	-----
Balance September 30, 2000	8,764	\$ 88	\$ 23,177	\$ --
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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U. S. INDUSTRIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SEPTEMBER 30, 2000 AND 1999
(In Thousands)

	2000	1999
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (6,225)	\$ (3,096)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	680	582
Allowance for doubtful accounts	(81)	--
Gain on sale	(379)	(3,345)
Loss on disposal of machinery and equipment	--	6
Change in deferred income tax	3,537	871
Write-off of securities available for sale	--	1,298
Write-off of notes receivable	336	904
Issuance of warrants	493	48
Change in accounts receivable	(87)	(1,527)

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Change in notes receivable - accrued interest	(208)	(232)
Change in costs and estimated earnings in excess of billings on jobs in progress	321	(248)
Change in prepaid expenses and other current assets	(211)	(85)
Change in other assets	34	(48)
Change in accounts payable and accrued liabilities	1,515	(8,458)
Change in other payables and due to affiliates	(534)	842
Change in billings in excess of costs and estimated earnings on jobs in progress	680	862
	-----	-----
Net cash used in operating activities	(129)	(11,625)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from notes receivable	1,000	15,066
Advances for notes receivable	--	(760)
Divestiture of cash	(421)	3,282
Capital expenditures	(136)	(418)
	-----	-----
Net cash provided by investing activities	443	17,170
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(582)	(7,778)
Proceeds from long-term debt	--	164
	-----	-----
Net cash used in financing activities	(582)	(7,778)
	-----	-----
NET DECREASE IN CASH	(268)	(2,069)
	-----	-----
CASH AT BEGINNING OF YEAR	280	2,349
	-----	-----
CASH AT END OF YEAR	\$ 12	\$ 280
	=====	=====
Supplemental disclosures of cash flow information Cash paid for:		
Interest	\$ 217	\$ 37
Income Taxes	--	60
Supplemental schedule of non-cash investing and financing activities:		
Machinery and equipment acquired through capital lease obligations	\$ 2,190	\$ 1,631

The accompanying notes are an integral part of these financial statements.

U. S. INDUSTRIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Description and Nature of Operations
U.S. Industrial Services, Inc. and its wholly owned subsidiaries (the "Company" or "USIS"), (formerly "EIF Holdings, Inc.") has been a multi-state service company, specializing in industrial cleaning services, including soil and groundwater remediation, hazardous

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materials management and clean-up, asbestos abatement and lead hazard removal services, to its customers located primarily in the states of Illinois, Iowa, Missouri, Nebraska and Washington. The Company was a majority-owned subsidiary of American Eco Corporation ("AEC") through July 21, 2000 at which time control was obtained by Deere Park Capital, L.L.C. ("Deere Park") Deere Park acquired approximately 81.9% of the Company's common stock. On December 21, 2000 Deere Park sold 50% of its interest to an individual and currently the Company is not a majority owned subsidiary of any entity. As noted below, the Company sold substantially all of its operating assets on September 29, 2000.

Effective June 22, 1998, the Company completed a recapitalization and reincorporation through a merger with USIS, a newly formed Delaware corporation, and wholly owned subsidiary of EIF Holdings, Inc. USIS became the surviving company, and all outstanding shares of EIF common stock were exchanged on a one-for-one basis for shares of USIS common stock.

On September 29, 2000 the Company sold its holdings in P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc. and P.W. Stephens Northwest, Inc. to Spruce MacIntyre Holding Corp. ("Spruce"). The company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220. Total consideration for the sale and assignment is \$1,650. The assets sold comprise substantially all of the Company's operating assets and liabilities and operations for the year ended September 30, 2000.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. For certain of the Company's financial instruments, including cash, receivables, notes receivable, accounts payable and other payables, the carrying amounts approximate fair value due to their short maturities.

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U. S. INDUSTRIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and

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liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentration of credit risk

Financial instruments, which potentially subject the company to concentrations of credit risk, consist of cash and notes and other receivables. The company places its cash with high quality financial institutions and at times may exceed the FDIC \$100,000 insurance limit. The company offered its services predominately in the states of Illinois, Missouri, Nebraska and Washington, and it extends credit based on an evaluation of a customer's financial condition, generally without collateral. Exposure to losses on accounts receivable is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, if required.

Securities Available Sale

Equity securities are classified as "available for sale" as defined by Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard (SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". In accordance with that Statement, they are reported at aggregate fair value with unrealized losses excluded from earnings and reported as other comprehensive income, net of deferred taxes. The cost of securities sold is determined by the average cost method.

Property Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets using the straight-line method, generally from five to ten years. Leasehold improvements are amortized over the life of the lease.

Goodwill

Goodwill is amortized on a straight-line basis over 20 years. Management reviews, on an annual basis, the carrying value of goodwill in order to determine whether an impairment has occurred. Impairment is based on several factors including the Company's projection of future undiscounted operating cash flows. If an impairment of the carrying value were to be indicated by this review, the Company would adjust the carrying value of goodwill to its estimated fair value.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related

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carrying amounts may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the assets and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Revenue Recognition

The Company recognizes revenues and profits on contracts using the percentage-of-completion method. Under the percentage-of-completion method, contract revenues are accrued based upon the percentage that accrued costs to date bear to total estimated costs. As contracts can extend over more than one accounting period, revisions in estimated total costs and profits during the course of work are reflected during the period in which the facts requiring such revisions become known. Losses on contracts are charge to income in the period in which such losses are first determined.

The percentage-of completion method of accounting can result in the recognition of either costs and estimated profits in excess of billings or billings in excess of costs and estimated profits on contracts in progress, which are classified as current assets and liabilities, respectively, in the accompanying balance sheet. The current asset account represents costs incurred and profits earned that have not been billed to the customer on uncompleted construction contracts. The current liability account represents deferred income on uncompleted construction contracts. Generally accepted accounting principles for percentage-of-completion accounting require the classifications as current assets and liabilities. Revenues from time and material contracts are recognized currently as the work is performed.

Stock Based Compensation

The Company uses the intrinsic value method of accounting for stock-based compensation in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and related interpretations. See Note 10 for pro forma disclosure of net loss and loss per share under the fair value method of accounting for stock-based compensation as proscribed by SFAS No. 123, "Accounting for Stock-Based Compensation".

Income Taxes

Income taxes are provided for based on the liability method of accounting pursuant to SFAS No. 109, "Accounting for Income Taxes". Deferred income taxes, if any, are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end.

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U. S. INDUSTRIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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Per Share Data

The Company calculates earnings per share in accordance with SFAS No. 128, "Earnings Per Share", which requires presentation of basic earnings per share ("BEPS") and diluted earnings per share ("DEPS"). The computation of BEPS is computed by dividing income available to common stockholders by the weighted average number of outstanding common shares during the period. DEPS gives effect to all dilutive potential common shares outstanding during the period. The computation of DEPS does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect on earnings. As of September 30, 2000, the Company had the following securities that would effect loss per share if they were to be dilutive:

Options	1,030
Warrants	392

	1,422
	=====

Comprehensive Income

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income". SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements.

NOTE 2 - NOTE RECEIVABLE

Kenny Industrial Services, L.L.C., due November 2002, interest at 5%, secured by assets sold	\$ 1,000
Kenny Industrial Services, L.L.C., due in equal annual installments November 2000 through 2002, interest at 5%, secured by assets sold	3,000
Spruce MacIntyre Holding Corp. due in three installments through June 15, 2001 and bearing interest on the unpaid principal balance at 9.5%, secured by assets sold and by certain assets of the purchaser	1,550
Other - interest on Kenny Industrial Services, L.L.C. notes	417

Total	5,967
Less: current portion	2,550

Long-term portion	\$ 3,417
	=====

The above notes receivable from Kenny Industrial Services, L.L.C. ("Kenny") resulted from a sale of certain assets and liabilities to Kenny, as described in Note 4 under the caption "JL Manta, Inc.". The \$1,000 payment due from Kenny in November, 2000 has not been paid as of the date of this report. The Company has informally agreed to extend the due date until Kenny has completed a refinancing of its debt; however, Kenny technically is in default of the notes.

On October 27, 2000, attorneys for Kenny notified the Company that Kenny is seeking indemnification for breaches of representations and warranties made in connection with the sale of those certain assets and liabilities referred to above. No damages are identified or described. The Company denies that it breached its representations or warranties and no further action has been taken by Kenny as of the date of this report.

U. S. INDUSTRIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

For the years ended September 30, 2000 and 1999, depreciation expense was \$633 and \$530, respectively. The Company has sold the assets and operations which resulted in this expense.

NOTE 4 - BUSINESS COMBINATIONS AND DISPOSITIONS

JL Manta, Inc.

Effective October 31, 1997, the Company completed its acquisition of JL Manta, Inc. ("Manta"), an Illinois corporation which provided specialized maintenance services for clients in the industrial, environmental and low-level nuclear sectors. Pursuant to the terms of a Stock Purchase Agreement, the Company acquired all the issued and outstanding common stock of Manta (the "Manta Stock") from the stockholders of Manta (the "Manta Stockholders") for consideration of \$4,725 in cash and \$2,235 in convertible promissory notes of the Company. Concurrent with the closing of the Acquisition, certain Manta stockholders and key employees entered into Retention Bonus Agreements with the Company providing for bonus payments in the aggregate amount of \$900 to be amortized by the Company over a six year period of which \$763 remained as prepaid expense as of September 30, 1998. The purchase price and expenses associated with the acquisition exceed the fair value of net assets acquired by approximately \$2,000.

In November 1998 the Company sold the assets and liabilities of Manta to Kenny Industrial Services, L.L.C. for \$23,000, consisting of a combination of \$3,000 of cash, a short term note of \$15,000, which was paid December 15, 1998, and \$5,000 in notes. At this time, the name of the Company's subsidiary was changed to Atnam, Inc. This divestiture resulted in the payment or transfer to the purchaser of all amounts previously due to Manta Stockholders.

PW Stephens Residential

On December 31, 1998 the Company sold the assets and liabilities of P.W. Stephens Residential, Inc. ("Residential") to American Temporary Sanitation, Inc. for \$2,400, consisting of \$1,004 in cash and a promissory note for \$1,396 payable quarterly through 2004, together with interest at prime rate plus 2.5% per annum. Since the purchaser is a highly leveraged entity and its liabilities consist of the amounts due to the Company and funds borrowed from a third party to finance the down payment, recognition of the gain on this sale has been deferred in accordance with Staff Accounting Bulletin Topic 5-U "Gain Recognition on the Sale of a Business or Operating Assets to a Highly Leveraged Entity". This note has been assigned pursuant to the sale described below.

U. S. INDUSTRIAL SERVICES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 SEPTEMBER 30, 2000 AND 1999
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 4 - BUSINESS COMBINATIONS AND DISPOSITIONS (Continued)

P.W. Stephens Environmental, Inc. ("PWSE"), P.W. Stephens Contractors, Inc. ("PWSC"), P.W. Stephens Service, Inc., ("PWSS"), P.W. Stephens Northwest, Inc. ("PWSN")

On September 29, 2000, the Company sold its holdings in PWSE, PWSC, PWSS and PWSN to Spruce MacIntyre Holding Corp. Also, the Company assigned its interest in a note receivable from American Temporary Sanitation, Inc. with a face amount of \$1,220 (see Residential above). The consideration for the sale and assignment is \$1,650, consisting of a cash payment of \$100 and a note receivable in the aggregate amount of \$1,550. The note is due and payable \$100 on December 29, 2000, \$450 on February 28, 2001 and \$1,000 on June 15, 2001. The note bears interest at 9.5% per year on the outstanding principal balance. The Company has recorded a gain on the sale of \$310.

The assets sold comprise substantially all of the Company's operating assets and all of its revenue generating activity.

NOTE 5 - LEASES

For the years ended September 30, 2000 and 1999 rent expense was approximately \$51 and \$44, respectively. The Company has sold the operations which occupied these premises and incurred this expense.

The Company's principal corporate office is located in Northbrook, Illinois, which consists of office space shared with a principal stockholder at no incremental cost to the Company. The fair value of the rental is approximately \$500 per month.

NOTE 6 - SECURITIES AVAILABLE FOR SALE

Securities available for sale consisted of 180 shares of common stock of AEC as of September 30, 1998. These shares were issued to the Company in lieu of cash in conjunction with the Amendment dated September 30, 1997 to the existing line of credit, which increased the maximum borrowing amount under the line to \$20,000. These securities reflected a value of \$2.28 per share as of September 30, 1998 on the consolidated balance sheet, which was the market value. The Company intended to sell these securities to settle certain of the company's existing obligations.

Proceeds and gross realized losses from the sale of securities classified as available for sale for the year ended September 30, 1999 are as follows:

Gross proceeds	\$	-
Gross realized loss		(1,298)

U. S. INDUSTRIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 7 - FEDERAL INCOME TAX

The components of the provisions (benefit) for income taxes are as follows for the years ended September 30, 2000 and 1999:

	2000	1999
	-----	-----
Current tax expense:		
U.S. Federal	\$ -	\$ -
State and local	-	38
	-----	-----
Total current	-	38
	-----	-----
Deferred tax expense		
U.S. Federal	3,537	1,000
State and local	-	-
	-----	-----
Total deferred	3,537	1,000
	-----	-----
Total tax provision from continuing operations	\$3,537	\$1,038
	=====	=====

The reconciliation of the effective income tax rate to the Federal statutory rate is as follows for the years ended September 30, 2000 and 1999:

	2000	1999
	-----	-----
Federal income tax rate	(34.0)%	(34.0)%
State and local income tax rate	-	-
Effect of reversal of deferred tax valuation allowance	165.6	-
Effect of deferred tax valuation allowance	-	53.2
	-----	-----
Effective income tax rate	131.6	19.2
	=====	=====

Deferred tax assets and liabilities reflect the net tax effect of temporary differences between the carrying amount of asset and liabilities for financial reporting purposes and amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows as of September 30, 2000:

Deferred tax assets	
Loss carryforwards	\$ 3,993
Less: valuation allowance	(3,993)

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Net deferred tax assets	\$ -
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U. S. INDUSTRIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 7 - FEDERAL INCOME TAX (Continued)

At September 30, 2000, the Company had net carryforward losses of approximately \$11,744. Net operating loss carryforwards expire starting in 2016 through 2020. Per year availability may be subject to change of ownership limitation under Internal Revenue Code Section 382.

NOTE 8 - LITIGATION, COMMITMENTS AND CONTINGENCIES

The nature and scope of the Company's business operations bring it into regular contact with the general public, a variety of businesses and government agencies. These activities inherently subject the Company to potential litigation, which are defended in the normal course of business. At September 30, 2000, there were various claims and disputes incidental to the business. The Company believes that the disposition of all such claims and disputes, individually or in the aggregate, should not have a material adverse affect upon the Company's financial position, results of operations or cash flows. As of September 30, 2000, the Company has not been named as a responsible party for any environmental issues under the Federal Superfund Law.

AEC has commenced a Chapter 11 proceeding in the United States Bankruptcy Court. AEC has filed an adversarial complaint against the Company regarding certain fees and advances which AEC claims are due it. The Company intends to vigorously defend against these allegations. These amounts have been recorded in the financial statements (see Note 9).

On October 27, 2000, attorneys for Kenny Industrial Services, L.L.C. ("Kenny") notified the Company that Kenny is seeking indemnification for breaches of representations and warranties made in connection with the sale of certain assets and liabilities as described in Note 4 under the caption "JL Manta, Inc.". No damages are identified or described. The Company denies that it breached its representations or warranties and no further action has been taken by Kenny as of the date of this report.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company is involved in various related party transactions. These transactions are summarized as follows:

Pursuant to a Management Services Agreement effective May 1, 1999, between AEC and the Company, AEC had agreed to provide certain services to the Company in exchange for a management fee to the

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paid on a monthly basis. The services include providing the Company with management guidance in addition to guaranteeing certain of the Company's obligations with its creditors, in order to allow the Company to receive favorable terms with its creditors. The agreement provided for a monthly payment of \$40. For the years ended September 30, 2000 and 1999, total management fees recorded were \$280 and \$200, which are included in other payables in the consolidated balance sheet, as further described below. The Company believes that AEC did not perform its responsibilities under the management agreement and, although the Company has recorded the management fees in the financial statements, it is contesting the validity of the agreement. At September 30, 2000 and 1999 the Company was indebted to AEC in the amount of \$1,370 and \$843, respectively, including the disputed management fees. The amounts are due on demand and included in other payables.

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U. S. INDUSTRIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 10 - EQUITY

Warrants

During the year ended September 30, 2000, the Company issued warrants to purchase an aggregate of 296 shares of the Company's common stock. The warrants are exercisable at \$1.50 per share for five years. The warrants have been valued at \$493 using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 5%; dividend yield of 0%; volatility of 238%; and an expected life of 5 years.

During the year ended September 30, 1999, the Company issued warrants, related to financing fees, for the purchase of 96 shares of the Company's common stock at \$1.50 price per share, for 5 years. The warrants had an aggregate fair value at date of grant of \$48. The fair value for the warrants was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 6.1%; dividend yield of 9%; volatility of 183%; expected life of 2.5 years.

Stock Options

The Company's board of directors approved the 1998 Stock Option Plan (the "Plan"). The Plan covers two types of options: incentive stock options and non-qualified stock options. The aggregate number of shares that may be issued pursuant to the Plan may not exceed 1,000 shares. The exercise price for the options shall be determined by the Plan administrator at the date of grant, but shall not be less than the fair market value of the stock at the date of grant. The option period can be no more than 10 years and the options will vest over a period of time determinable by the board.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, "Accounting for Stock-Based Compensation", and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement.

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The weighted average fair values at date of grant for options granted during 2000 and 1999 were \$0.73 and \$0.31, and were estimated at the date of grant using the Black-Scholes option pricing model with the following respective weighted average assumptions for 2000 and 1999: interest rates of 5% and 6.1%; dividend yields of 0%; volatility of 238% and 183%; and a weighted average expected life of the option of 5 and 2.5 years.

This option valuation model requires input of highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of the fair value of its employee stock options.

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U. S. INDUSTRIAL SERVICES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 - EQUITY (Continued)

The Company has adopted only the disclosure provisions of SFAS No. 123. It applies Accounting Principles Bulletin ("APB") Options No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its plans and does not recognize compensation expense for its stock-based compensation plans other than for stock and other equity instruments issued to outside third parties. If the Company had elected to recognize compensation expense based on the fair value at the grant date for awards under these plans consistent with the methodology prescribed by SFAS 123, the Company's net loss would be increased by approximately \$359 and \$534 for the years ended September 30, 2000 and 1999, respectively, to the pro forma amounts indicated below.

	2000	1999
	-----	-----
Pro forma		
As reported	\$ (6,225)	\$ (3,096)
Pro forma	\$ (6,584)	\$ (3,630)
Pro forma loss per share	\$ (0.75)	\$ (0.41)

The following summarizes the Company's stock option transactions under the stock option plan:

	Share Options Outstanding	Weighted Average Exercise Price
	-----	-----
Outstanding, September 30, 1998	240	\$ 4.46
Granted	655	0.44

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Outstanding, September 30, 1999	895	
Granted at an exercise of price \$4.74	10	4.74
Granted at exercise price if \$0.75	125	\$ 0.75

Outstanding, September 30, 2000	1,030	
	=====	
Options exercisable, September 30, 1999	815	\$ 1.23
Options exercisable, September 30, 2000	895	1.33

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U. S. INDUSTRIAL SERVICES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 10 - EQUITY (Continued)

The following table summarizes the outstanding and exercisable options grouped by range of exercise prices as of September 30, 2000:

Weighted Average Remaining Life	Range of Exercise Prices	Weighted Average Exercise Price
-----	-----	-----
2.4	\$0.41 to \$1.10	\$0.49
.5	\$3.40 to \$4.74	4.47

NOTE 11 - RETIREMENT PLANS

A majority of the Company's former laborers were covered by union sponsored, collectively bargained multi-employer pension plans. The administrators do not provide sufficient information to enable the Company to determine its share, if any, of unfunded vested benefits. The Company has sold the assets and operations which resulted in this expense.

NOTE 12 - DISCONTINUED OPERATIONS

Residential
 In December 1998, the Company sold the assets and liabilities of Residential to American Temporary Sanitation, Inc. The results of operations for the respective periods presented are reported as a component of discontinued operations in the consolidated statement of operations. The following table summarizes results of operations for Residential for the year ended September 30, 1999.

Net revenues	\$ 1,690
Operating earnings	146

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Earnings from discontinued operations 224

Manta

In November 1998, the Company sold the assets and liabilities of Manta to Kenny Industrial Services, L.L.C. The results of operations for the respective periods presented are reported as a component of discontinued operations in the consolidated statement of operations. The following table summarizes results of operations for Manta for the year ended September 30, 1999.

Net revenues	\$ 11,220
Operating earnings	(253)
Earnings from discontinued operations	(208)

ITEM 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

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PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

As of January 31, 2001, the directors and executive officers of the Company were:

NAME	AGE	POSITION WITH COMPANY
Frank J. Fradella	45	Director, President and CEO
James Chatz	63	Director
Allen S. Gerrard	65	Chairman of the Board
Richard M. Lancaster	58	Director

The terms of the Board of Directors will expire annually at the next stockholders meeting. The Company's officers are elected by the Board of Directors and hold office at the will of the Board. There is no family relationship between any of the officers or directors.

Executive Officers

FRANK J. FRADELLA has served as the Company's president, chief executive officer and a director since July 27, 2000, the same positions he served the Company during 1997 and 1998. Mr. Fradella served as chief operating officer of American Eco Corporation, an industrial construction and environmental maintenance services company. He served as president and chief executive officer of NSC Corporation, formerly the Brand Companies, a provider of environmental remediation services, from 1994 through 1996.

JAMES CHATZ has served as a director of the Company since July 27, 2000. Mr. Chatz is a senior partner with the Chicago law firm of Kamensky & Rubenstein, specializing in the fields of commercial insolvency and creditors rights. Mr. Chatz is a former director of Divi Hotels, Inc., Miami, Florida. Mr. Chatz received his Bachelor of Science degree and his Juris Doctor, in 1958, from Northwestern University.

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ALLEN S. GERRARD has served as Chairman of the Board of the Company since July 27, 2000. Since 1996, Mr. Gerrard has served as a director of Deere Park Capital, L.L.C., an investment and merchant banking firm, and since April 1998 he has served as vice chairman of such company. Mr. Gerrard has served as a director of BPI Packaging Technologies, Inc., a publicly traded manufacturing company, since January 1999. Since February 1999, Mr. Gerrard has served as a director of Fortune Financial Systems, Inc. Mr. Gerrard was a principal in the law firm of Allen S. Gerrard & Associates from 1978 to 1999. Mr. Gerrard received his Bachelor of Arts degree in Political Science from the University of Illinois in Champaign-Urbana and his Juris Doctor degree from the University of Michigan Law School.

RICHARD M. LANCASTER is a Registered Electrical Engineer, Professional Engineer and attended the University of South Carolina School of Law.

Item 10. EXECUTIVE COMPENSATION

Compensation

The following table discloses the compensation awarded to or earned by the Chief Executive Officer and the other most highly compensated executive officer of the Company as of the end of fiscal 2000 whose annual salary plus other forms of compensation exceeded \$100,000 ("Names Executive Officers"):

Name and Position	Salary	Bonus	Other Annual Compensation
Frank J. Fradella President, CEO	-0-	-0-	-0-

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No other officers received compensation during fiscal year 2000.

Employment contracts

There are no employment agreements with any executive officers.

Stock Options

The following table provided information with respect to stock options granted to the Named Executive Officers during fiscal 2000.

STOCK OPTIONS GRANTED IN FISCAL YEAR ENDED SEPTEMBER 30, 2000

Name	Securities Under Options Granted	% of Total Options Granted to Employees in Financial Year	Exercise Price	Market Value of Securities Underlying Options on the Date of Grant	Expiration Date
Frank Fradella	250,000	100%	\$0.65	\$162,500	07/27/05

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ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Common Stock of the Company as of January 31, 2001 concerning (i) persons known to the Company to be the beneficial owners of more than 5% of the outstanding Common Stock, (ii) by each director and (iii) by all directors and officers as a group.

NAME OF BENEFICIAL OWNER -----	STATUS OF BENEFICIAL OWNER -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1) -----	PERCENT -----
Deere Park Capital, L.L.C.	Beneficial owner of more than 5% of Common Stock	3,587,929	40.9%
Frank J. Fradella	Director, President & CEO	4,840,207 (2)	55.2%

- (1) Unless otherwise noted, all of the shares shown are held by individuals or entities possessing sole voting and investment power with respect to such shares. The number of shares beneficially owned includes shares which each beneficial owner has the right to acquire within 60 days of January 31, 2001.
- (2) Includes 3,337,929 shares subject to an option exercisable by Frank J. Fradella within 60 days of hereof.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to a Management Services Agreement effective May 1, 1999, between American Eco Corporation ("AEC") and the Company, AEC had agreed to provide certain services to the Company in exchange for a management fee to be paid on a monthly basis. The services include providing the Company with management guidance in addition to guaranteeing certain of the Company's obligations with its creditors, in order to allow the Company to receive favorable terms with its creditors. The agreement provided for a monthly payment of \$40,000. For the years ended September 30, 2000 and 1999, total management fees recorded were \$280,000 and \$200,000. The Company believes that AEC did not perform its responsibilities under the management agreement and, although

the Company has recorded the management fees in the financial statements, it is contesting the validity of the agreement. At September 30, 2000 and 1999 the Company was indebted to AEC in the amount of \$1,370,000 and \$843,000, respectively, including the disputed management fees. The amounts are due on demand.

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ITEM 13. EXHIBIT AND REPORTS ON FORM 8-K

(a) Exhibits

Regulation S-B Exhibit Number	Description of Exhibit
2.1	Exchange of Stock Agreement and Plan of Reorganization between EIF Holdings, Inc. and P.W. Stephens Contractors, Inc. [filed as an Exhibit to the Current Report of the Company on Form 8-K for the Date of Event January 31, 1993 and incorporated herein by reference].
2.2	Acquisition Agreement between EIF and Von Guard Holdings, Inc. and its subsidiaries [filed as an Exhibit to the Current Report of the Company on Form 8-K for the Date of Event August 2, 1994 and incorporated herein by reference].
2.3	Sale of Stock Agreement by and between EIF, Kelar Controls, Inc. and its shareholders [filed as an Exhibit to the Annual Report of the Company on Form 10-KSB for the fiscal year ended December 31, 1994 and incorporated herein by reference].
2.4	Agreement and Plan of Merger, dated March 2, 1998 between USIS and EIF Holdings [filed as Exhibit 10.1 to the Current Report on form 8-K for the Date of Event June 18, 1998 and incorporated herein by reference].
3.1	Certificate of Incorporation [filed as Exhibit 3.1 to the Current Report on form 8-K for the Date of Event June 19, 1998 and Incorporated herein by reference].
3.2	By-Laws [filed as Exhibit 3.2 to the Current Report on form 8-K for the Date of Event June 19, 1998 and Incorporated herein by reference].
4.1	1998 Stock Option Plan.
10.1	Promissory Note Line of Credit Agreement, dated March 1, 1996, with American Eco Corporation ("American Eco") [filed as an Exhibit to the Annual Report of the Company on Form 10-KSB for the year ended September 30, 1996 and incorporated herein by reference].
10.2	Agreement, dated February 2, 1996, between EIF and American Eco [filed as an Exhibit to the Current Report of the Company on Form 8-K for the Date of Event February 2, 1996 and incorporated herein by reference].
10.3	Management Agreement effective October 1, 1996 between the Company and American Eco [incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-QSB for the quarter ended December 31, 1996].
10.4	Settlement Agreement and Mutual Release, dated April 4, 1996, among Kelar, Kelly McMahon, and Larry Thomas (as plaintiffs) and EIF and the other defendants [filed as an Exhibit to the Annual Report of the Company on Form 10-KSB for the year ended September 30, 1996 and incorporated herein by reference].
10.5	Agreement and General Release, dated as of November 8, 1996, among Richard Austin, EIF, PW Stephens and American Eco [filed as an Exhibit to the Annual Report of the Company on Form 10-KSB for the year ended September 30, 1996 and incorporated herein by

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- reference].
- 10.6 Lease Agreement, dated January 9, 1997, between Aetna Life

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- Insurance Company and EIF, for premises in Anaheim, California [filed as an Exhibit to the Annual Report of the Company on Form 10-KSB for the year ended September 30, 1996 and incorporated herein by reference].
- 10.7 Promissory Note dated December 13, 1996 between the Company and Truman Harty. [incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-QSB for the quarter ended December 31, 1996].
- 10.8 Revolving Line of Credit dated September 1, 1996 between the Company and Turner Holdings, Inc. [incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-QSB for the quarter ended December 31, 1996].
- 10.9 Acquisition Agreement by and between the Company and Regal Oak Properties, Inc. dated June 30, 1997 for the sale of Kelar Controls, Inc. [incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-QSB for the quarter ended June 30, 1997].
- 10.10 Secured Promissory Note between the Company and Regal Oak Properties, Inc. dated June 30, 1997. [incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-QSB for the quarter ended June 30, 1997].
- 10.11 Security Agreement Pledge between the Company and Regal Oak Properties, Inc. dated June 30, 1997. [incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-QSB for the quarter ended June 30, 1997].
- 10.12 Renewal, Extension and Enlargement Promissory Note between the Company and Truman Harty dated April 4, 1997. [incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-QSB for the quarter ended June 30, 1997].
- 10.13 Stock Purchase Agreement, dated September 30, 1997, among EIF and each of the stockholders of JL Manta, Inc. [incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.14 \$6.5 Million Convertible Promissory Note issued by EIF to Deere Park Capital Management, Inc., as nominee for EIFH Joint Venture, L.L.C. and Certain Reg. D Hedge Funds. [incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.15 \$2.5 Million Convertible Promissory Note from EIF to Deere Park Capital Management, Inc. ("Deere Park"). [incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.16 Convertible Promissory Note of EIF, issued to Leo J. Manta. [incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.17 Pledge Agreement by and among EIF, Deere Park Equities, L.L.C. and Deere Park Capital Management, Inc., as nominee for EIFH Joint Venture, L.L.C. and certain Reg. D Hedge Funds, regarding \$6.5 Million Promissory Note from EIF. [incorporated by reference to Exhibit 10.13 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.18 Security Agreement executed by the Company in favor of Harris [incorporated by reference to Exhibit 10.14 to the Registrant's Form 8-K for the date of event November 19, 1997].

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10.19 Subordination Agreement between Harris and Deere Park Capital Management, Inc. [incorporated by reference to Exhibit 10.15

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- to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.20 Subordination Agreement between Harris and EIF. [incorporated by reference to Exhibit 10.16 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.21 Security Agreement between Deere Park and EIF. [incorporated by reference to Exhibit 10.17 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.22 Registration Rights Agreement between EIF and each of the Sellers. [incorporated by reference to Exhibit 10.18 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.23 Employment Agreement between EIF and Michael J. Chakos. [incorporated by reference to Exhibit 10.19 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.24 Form of Registration Rights Agreement. [incorporated by reference to Exhibit 10.20 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.25 Form of Guaranty. [incorporated by reference to Exhibit 10.21 to the Registrant's Form 8-K for the date of event November 19, 1997].
- 10.26 Renewal, Extension and Modification Revolving Line of Credit Note effective July 1, 1997 between EIF and American Eco Corporation [incorporation by reference to Exhibit 10.37 to the Registrant's Form 10-KSB for the year ended September 30, 1997 and incorporated herein by reference].
- 10.27 Second Amendment Revolving Line of Credit Note effective September 30, 1997 between EIF and American Eco [incorporated by reference to Exhibit 10.38 to the Registrant's Form 10-KSB for the year ended September 30, 1997 and incorporated herein by reference].
- 10.28 Asset Purchase Agreement, dated November 30, 1998, among USIS and Kenny Industrial Services, L.L.C. and Manta [incorporated by reference to Exhibit 2 to the Registrant's Form 8-K for an event of November 30, 1998].
- 10.29 Form 8-K for an event of July 27, 1998 to report a change in control and conversion of debt.
- 10.30 Form 8-K for an event of December 29, 1999 to report a reduction in the number of authorized shares in the Preferred Stock.
- 10.31 Form 8-K for an event of November 23, 1999 to report a change in auditors from Karlins, Arnold & Corbitt P.C. to Merdinger, Fruchter, Rosen & Corso, P.C.
- *10.32 Asset Purchase Agreement between American Temporary Sanitation, Inc. and P.W. Stephens Residential, Inc. dated December 4, 1998.
- *21 Subsidiaries of the Registrant
- *27 Financial Data Schedule

* Filed herewith

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(b) Reports on Form 8-K

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The Company filed a Current Report on 8-K for an event of December 29, 1999 to report a reduction in the number of authorized shares in the Preferred Stock. The Company filed a Current Report on 8-K for an event of November 23, 1999 to report a change in auditors from Karlins, Arnold & Corbitt P.C. to Merdinger, Fruchter, Rosen & Corso, P.C.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, US Industrial Services, Inc. caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

US INDUSTRIAL SERVICES, INC.
(Registrant)

By: /s/ Frank J. Fradella

Frank J. Fradella
Chief Executive Officer

Dated: February 21, 2001

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Frank J. Fradella

Frank J. Fradella
Director, CEO & President

Dated: February 21, 2001

By: /s/ Kathleen L. Harris

Kathleen L. Harris
CFO

Dated: February 21, 2001

EXHIBIT INDEX

Exhibit Number -----	Description -----
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EXHIBIT 21 - LIST OF SUBSIDIARIES

Subsidiary Jurisdiction of Incorporation ----- -----

None

This list does not include inactive, sold or discontinued subsidiaries.

