

# INTEGRATED FREIGHT CORP

## FORM 10-K (Annual Report)

Filed 07/14/15 for the Period Ending 03/31/15

Address	42 LAKE AVENUE EXTENSION - 208 DANBURY, CT, 06811
Telephone	203-628-7142
CIK	0000783284
SIC Code	4213 - Trucking (No Local)
Industry	Ground Freight & Logistics
Sector	Industrials
Fiscal Year	03/31

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

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934: For the fiscal year ended **March 31, 2015**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934:

Commission file number: **000-14273**

**INTEGRATED FREIGHT CORPORATION**

(Exact name of registrant as specified in its charter)

**FLORIDA**

State or other jurisdiction of  
incorporation or organization

**42 Lake Avenue Extension - 208  
Danbury, Connecticut**

(Address of principal executive offices)

**84-0868815**

I.R.S. Employer  
Identification No.

**06811**

(Zip code)

Issuer's telephone number: **(203) 628-7142**

Securities registered under Section 12(b) of the Exchange Act: **None**

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

Title of each class:

**Common Stock, \$0.001 par value per share**

Name of Exchange on which registered:

**(None)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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 last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter ended September 30, 2014 was approximately \$825,000.

The number of shares of the registrant's common stock outstanding at July 13, 2015 was: 716,333,822 shares

#### EXPLANATORY NOTE

As set forth in a Form 8-K filed on July 14, 2015, the Company's independent auditors resigned on July 10, 2015. The reports of DKM Certified Public Accountants on the Company's financial statements for the past two fiscal years, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as To uncertainty, audit scope, or accounting principles, except that substantial doubt was raised as to the Company's ability to continue as a going concern. In connection with the audits of the Company's financial statements for each of the two fiscal years ended March 31, 2014 and 2013, and in the subsequent interim periods, there were no disagreements with DKM Certified Public Accountants on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of DKM Certified Public Accountants, would have caused DKM to make reference to the matter in their report.

As set forth in the Form 8-K filed on July 14, 2015, the Company has engaged a new auditor, but as a consequence of the timing of these transactions, the Company has not been able to have the auditor complete the audit of the financial statements for the year ended March 31, 2015.

The Company understands that the staff of the Securities and Exchange Commission (the "staff") has taken the position that this report is deficient because the annual financial statements contained in this report for the year ended March 31, 2015 have not been audited by an independent registered public accountant as required by Rule 10-01(d) of Regulation S-X. Pursuant to the position taken by the staff, the Company is deemed not to be current in its filings required under the Securities Exchange Act of 1934, as amended. The Company understands that completion of an audit of its annual financial statements and the filing of an amendment will make this report current, although it will not be deemed timely for purposes of the rules governing eligibility to use registration statements on Forms S-2 and S-3. When the audit is complete, the Company will file an amendment to this report which will include the required certifications of the Company's Principal Executive Officer and Principal Financial and Accounting Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act.

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## USE OF PRONOUNS

"We", "our" and "us", as used in this annual report, refer to Integrated Freight Corporation, and our wholly owned subsidiaries. The "Company", as used in the notes to our financial statements, refers to Integrated Freight Corporation and subsidiaries on a consolidated basis. "You" as used in this annual report, refers to the reader.

## DOCUMENTS INCORPORATED BY REFERENCE

We have not incorporated any documents by reference.

## SUMMARIES OF REFERENCED DOCUMENTS

This annual report on Form 10-K contains references to, summaries of and selected information from agreements and other documents. These agreements and documents are not incorporated by reference; but, they are filed as exhibits to this annual report or to other reports we have filed with the U.S. Securities and Exchange Commission. Whenever we make reference in this annual report to any of our agreements and other documents, the references are not necessarily complete. The summaries of and selected information from those agreements and other documents are qualified in their entirety by reference to the full agreements and other documents. You may obtain the full text of the agreements and documents from the Public Reference Section of or online from the Commission. See "Where You Can Find Agreements And Other Documents Referred To In This Annual Report" for instructions as to how to access and obtain this information.

## WHERE YOU CAN FIND AGREEMENTS AND OTHER DOCUMENTS REFERRED TO IN THIS ANNUAL REPORT

We file reports with the U.S. Securities and Exchange Commission pursuant to Section 15(d) of the Securities Exchange Act of 1934. You may read and copy any reports and other materials we have filed with the Commission at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site at which you may obtain all reports, proxy and information statements, and other information that we file with the Commission. The address of the Commission's web site is <http://www.sec.gov>. Under "Forms and Filings", select "Search for Company Filings".

## FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K and the information incorporated by reference, if any, includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections.

This annual report on Form 10-K contains forward-looking statements that involve risks and uncertainties. We use words such as "project," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could," "will," or "may," or other such words, verbs in the future tense and words and phrases that convey similar meaning and uncertainty of future events or outcomes to identify these forward-looking statements. There are a number of important factors beyond our control that could cause actual results to differ materially from the results anticipated by these forward-looking statements. While we make these forward-looking statements based on various factors and derived using numerous assumptions, you have no assurance the factors and assumptions will prove to be materially accurate when the events they anticipate actually occur in the future.

These important factors include those that we discuss in this annual report under the caption "Risk Factors", as well as elsewhere in this annual report. You should read these factors and the other cautionary statements made in this annual report as being applicable to all related forward-looking statements wherever they appear in this annual report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## PART I

### ITEM 1. BUSINESS.

#### Our corporate and business history.

We have the following wholly owned subsidiaries, during the periods indicated:

- Morris Transportation, Inc., an Arkansas corporation
- Smith Systems Transportation, Inc., a Nebraska corporation

The address of our principal executive office is 42 Lake Avenue Extension - 208, Danbury, CT 06811 and our telephone number is (203) 628-7142.

We were incorporated as Douglas County Industries, Inc. in Colorado in 1981. We underwent several name changes prior to 1997, our name at that time being DCX, Inc. In 1997, we acquired all of the outstanding shares of what is now PlanGraphics, Inc. headquartered in Frankfort, Kentucky and in which we have no interest. In 1998, we changed our name to Integrated Spatial Information Solutions, Inc. from DCX, Inc. In 2002, we changed our name to PlanGraphics, Inc. from Integrated Spatial Information Solutions, Inc. On August 18, 2010, we changed our name to Integrated Freight Corporation when we changed our corporate domicile to Florida from Colorado. We have been continuously engaged in a business since inception in 1981 and have never been a shell company, as defined in the regulations under the federal securities laws.

Although we may eventually consolidate some operational functions of these subsidiaries, such as insurance, fuel and tire purchasing, we are operating the two remaining subsidiaries as independent companies under the management of their founders and stockholders from whom we purchased them. Such operations are currently being conducted pursuant to the terms of Exhibit "B" to an Engagement Agreement for Consulting Services with Fuselier Consulting LLC.

#### Overview of Our Truck Transportation Business

We are a holding company with two operating motor freight carriers, providing truck load service throughout the forty-eight contiguous United States. We do not specialize in any specific types of freight or commodities. We carry dry freight and certain hazardous materials ("hazmat") including hazardous waste. We provide long-haul, regional and local service to our customers. During parts of the fiscal years ended March 31, 2015 and 2014, we also transported refrigerated freight.

#### Trucking Industry Background

Subsequent to the recession of 2008-2009, the trucking industry has staged a significant but difficult comeback. According to data from the American Trucking Associations Freight Tonnage Index and the Cass Information Systems Linehaul Rate Index (Supply Chain Digest, July 12, 2012), the decline in trucking volume and freight rates began with the recession in mid-2008. Total trucking shipment volume tracked with the recession by bottoming out in mid-2009 and recovering steadily through 2011 along with the economy. However, base freight rates, not including fuel surcharges or other adjustments, continued their downward slide until April 2010. Since that time, freight rates have recovered all of the ground lost during the recession and then some through the end of 2011--about 15%--from the bottom of the recession. It should be noted that the bulk of the freight demand and price rebound came in the last 2-3 months of 2011 which is believed to be attributable to end of year inventory and holiday shopping business.

In 2012 freight volumes were up approximately twenty percent through the end of May over the low point of the recession in mid-2009. However, according to the ATA Freight Index, both volume and rates were flat on a year-to-date basis. This reflects the generally consistent reports of another potential slowdown in the economy.

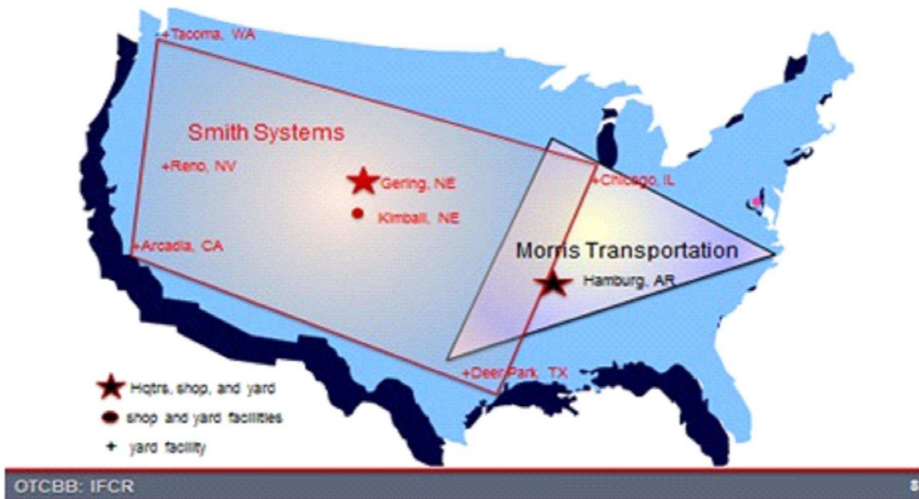
The effect and timing of the recession on the trucking industry was profound. In addition to the precipitous drop in freight volume, carriers had to contend with dramatically rising fuel prices which, unlike previous diesel price hikes, did not spike but remained at extraordinarily high levels. This was compounded further by new diesel engine emissions regulations promulgated by the U.S. Environmental Protection Agency that drove new truck prices to record high levels according to the ATA. Not surprisingly, thousands of motor carriers of all sizes, and in particular smaller carriers, ceased operations. Many carriers who did survive did so by laying off truck drivers, a practice that the chronically capacity-short industry had not seen in decades. Thousands of qualified truck drivers left the industry permanently.

We believe the aftermath of the recession and the subsequent, albeit slow, recovery has created a substantial opportunity. The capacity shortage has enabled carriers to increase market rates further while excess diesel costs are being offset by fuel surcharges. Access to debt and equity capital remains difficult; particularly for small to medium sized motor carriers. As a result, we believe that there are multiple small carriers serving defensible niche markets that would be a good strategic "fit" with our business model. In addition to healthy organic growth, we intend to acquire other motor carriers whose freight lanes and operational specialties, such as our present hazardous waste segment, are compatible and mutually supportable. We expect to be able to improve customer service and reduce operating costs by centralizing key administrative functions such as accounting, human resources, billing and collections. Additional savings will be realized through operating improvements as well as bulk purchasing practices related to fuel, tires, insurance, and maintenance. This strategy is highly dependent upon our ability to obtain suitable acquisition financing. We have experienced difficulty obtaining such financing and there is no assurance that we will be able to secure acquisition financing in the future.

## **Our Markets**

Historically, we have operated in well-established geographic traffic lanes or routes. These lanes are defined by our customers' distribution patterns. Our dry van and hazardous materials subsidiaries operate in well-defined regional areas and, as a result, have approximate lengths of haul typical of one to two days of travel. Although the subsidiaries have operations ranging from coast to coast, they each serve relatively dense, frequently traveled lanes. Although the bulk of our capacity is composed of employee drivers, both subsidiaries are able to expand their customer service offerings with independent contractor "surge" capacity.

# Current Freight Lane Coverage



\*A yard facility, or drop yard, is a temporary or semi-permanent location we rent to store trailers when not in use between pick-ups and deliveries. Typically, we rent yard facilities as needed in terminal facilities of other motor freight carriers, which provide security.

## Our Customers and Marketing

We serve approximately 125 customers on a regular basis. Like most truckload carriers, we do not have contracts with any of these customers. Instead, we have long-standing relationships with most of them which include fixed pricing terms on a per mile or fixed point-to-point basis.

The following table presents information regarding the percentage-of-revenue concentration of the business with our customers.

Four customers	Up to 34%
All other customers	66% or more

The following table presents information regarding the average length of our trips.

Longest haul (overnight)	2,225 miles
Shortest haul	21 miles
Average haul	683 miles

All of the freight we hauled in fiscal year 2014 is dry van and hazmat freight. The following table presents information regarding the approximate percentage makeup of the freight we haul.

Forest and paper products	32%
Hazmat and hazwaste	45%
Non-Haz waste	3%
All other freight	20%



## Marketing

Our sales and marketing force currently consists of two individuals. We have no formal marketing plan at the present time and, instead, have a direct sales process with selected shippers. We attend selected relevant trade shows and trade association meetings, and seek to maintain good relations with our existing customers.

## Our People

We believe our employees are our most important asset. The table below presents information about our employees, other than drivers.

Fleet technicians	3
Dispatch	7
Sales	2
Office	6
Administrative and Executive	4
Total non-driver Employees	<u>22</u>

We also employ several persons in administrative and executive capacities on a part-time basis. None of our employees are represented by a collective bargaining unit. We consider relations with our employees to be good. We offer basic health insurance coverage to employees.

## Our Drivers

The following table presents information about our drivers.

Drivers – company	81
Drivers – independent contractors	13
Total – all drivers	<u>94</u>

We believe that maintaining a safe and productive professional driver group is essential to providing excellent customer service and achieving profitability. All of our drivers must have three years of verifiable driving experience, a hazardous materials commercial driver's licence endorsement if hauling hazmat no major violations in the previous thirty-six months, and must comply with all requirements of employment by federal Department of Transportation and applicable state laws.

We select drivers, including independent contractors, using our specific guidelines for safety records, driving experience, and personal evaluations. We maintain stringent screening, training, and testing procedures for our drivers to reduce the potential for accidents and the corresponding costs of insurance and claims. We train new drivers in all phases of our policies and operations, as well as in safety techniques and fuel-efficient operation of the equipment. All new drivers also must pass DOT required tests prior to assignment to a vehicle.

We primarily pay company-employed drivers a fixed rate per mile. The rate increases based on length of service. Drivers also are eligible for bonuses based upon safe, efficient driving. We pay independent contractors on a fixed rate per mile. Independent contractors pay for their own fuel, insurance, maintenance, and repairs.

Competition in the trucking industry for qualified drivers is normally intense. Our operations have been impacted, and from time-to-time we have experienced under-utilization of equipment and increased expense, as a result of a shortage of qualified drivers. We place a high priority on the recruitment and retention of an adequate supply of qualified drivers. Our average annual turn-over rate is less than fifty percent compared to an industry average of over one ninety percent as published in *The Journal of Commerce*, April 1, 2015. Low driver turnover avoids costly repetitive recruiting and training efforts, promotes a culture of safety, and offers customers better overall service.

## Our Operations

We currently conduct all of our freight transportation operations, including dispatch and accounting functions, from the facilities of our operating subsidiaries. During fiscal year 2014 we continued using the legacy information management systems and personnel that were employed when our operating subsidiaries were acquired. These arrangements produce overlaps and duplications in facilities, office systems and personnel. We believe that these operating arrangements provide less than optimal results and controls.

## Our Revenue Equipment

The following table presents information regarding the mix of our revenue producing equipment.

Power units (tractors) – sleeper (83 company owned and 13 independent contractors)	96
<b>Trailers</b>	
Flatbed	4
Dry van	230
Refrigerated	30
Other specialized	10
Tanker	4
Total – all types of trailers	278

The average age of our power units is approximately four years. Our power units include Mack, Freightliner and Volvo vehicles. Both subsidiaries also make use of full-service lease vehicles secured from a national vendor. This blend of equipment capacity offers the best overall equipment cost in terms of acquisition, operation, and maintenance costs. We plan to replace our power units at approximately four to five years of age. The average age of our trailers is approximately nine years. We maintain all of our revenue producing equipment in good order and repair. We believe we have an optimal tractor to trailer ratio based upon our current and anticipated customer activity.

## Diesel Fuel Availability and Cost

Our operations are heavily dependent upon the use of diesel fuel. The price and availability of diesel fuel can vary and are subject to political, economic, and market factors that are beyond our control. Fuel prices have fluctuated dramatically and quickly at various times since early 2008. Prices remain high based on historical standards and can be expected to increase over the long term with increased demand for truck transportation in a recovering economy. We actively manage our fuel costs with volume purchasing arrangements with national fuel centers that allow our drivers to purchase fuel at a discount while in transit. Approximately eighty-five percent of our fuel purchases were made at contracted locations.

Among the greatest challenges presented by high and relatively unstable diesel fuel prices is monitoring and maintaining our fuel costs and insuring that the fuel surcharge levels are adequate to recapture incremental costs. We monitor the weekly U.S. Department of Energy regional and national diesel fuel pricing information and regulate our fuel surcharge levels accordingly. In addition, customer service representatives and operations personnel have been trained to take into account the cost of fuel (to include all empty miles) during the process of accepting and booking all shipments.

The federal fuel surcharge program cushions our exposure to increased fuel prices. This program has enabled us to pass through most long-term increases in fuel prices and related taxes to customers in the form of fuel surcharges. The fuel surcharge, which is adjusted weekly based upon US Energy Information Agency data, enables us to recover a substantial portion of fuel cost increases that occur from time to time above our base fuel cost. All fuel surcharges are based on US Department of Energy posted national averages. As of March 31, 2015 and, to date, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

## Our Competition and Industry

Trucks provide transportation services to virtually every industry operating in the United States and generally offer higher levels of reliability and faster transit times than other surface transportation options. Trucks hauled nearly seventy percent of all freight and took in eighty-one percent of all freight transportation revenue in 2014, according to American Trucking Association. The transportation industry is highly competitive on the basis of both price and service. The trucking industry is comprised principally of two types of motor carriers: truckload and less-than-truckload generally identified as LTL. Truckload carriers generally provide an entire trailer to one customer from origin to destination. LTL carriers pick up multiple shipments from multiple customers on a single truck and then route those shipments through service centers, where freight may be transferred to other trucks with similar delivery destinations. All of our business is truckload service.

The surface freight transportation market in which we operate is frequently referred to as highly fragmented and competitive. There are an estimated 172,000 transportation and warehousing companies in the US, according to the National Cooperative Freight Research Program's 2011 report. Even the largest motor freight companies haul a small percentage of the total freight. The following table presents information regarding the estimated percentage of freight hauled by the largest trucking companies compared to all other trucking companies.

Ten largest trucking companies	10.7%
All other trucking companies	89.3%

\* *Transport Topics* 2014 Top 100 Survey

According to the American Trucking Association's June 2011 issue of *Trucklines*, "Trucking serves as a barometer of the U.S. economy, representing sixty-seven percent of tonnage carried by all modes of domestic freight transportation, including manufactured and retail goods. Trucks hauled nine billion tons of freight in 2010. Motor carriers collected \$563.4 billion, or eighty-one percent of total revenue earned by all transport modes."

Competition in the motor freight industry is based primarily on service (including on-time pickup and delivery), price, equipment availability and business relationships. We believe that we are able to compete effectively in our markets by providing high-quality and timely service at competitive prices. We believe our relationships with our customers are good. We compete with smaller and several larger transportation service providers. Some of the largest truckload carriers, including JB Hunt Transport Services, Inc., C.R. England, Inc. and Knight Transportation, Inc., may have more equipment, a broader coverage network and a wider range of services than we have. They also have greater financial resources and, in general, the ability to reduce prices to gain business, especially during times of reduced growth rates in the economy. This could potentially limit our ability to maintain or increase prices, and could also limit our growth in shipments and tonnage in the same markets. However, we will continue to execute our strategy of confining our primary sales and operations efforts to defensible, niche markets (hazardous waste, specialty papers, etc.) as opposed to generic, high volume freight segments.

We believe that we do not compete with transportation by air, train, barge or ship, which we believe are not options for our existing customers.

## Regulation

Our operations as a for-hire motor freight carrier are subject to regulation by the U.S. Department of Transportation (USDOT) and its agency, the Federal Motor Carrier Safety Administration (FMCSA), and certain business is also subject to state rules and regulations. These agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and insurance requirements. The FMCSA periodically conducts reviews and audits to ensure our compliance with all federal safety requirements, and we report certain accident and other information to the FMCSA.

Our company drivers and independent contractor drivers also must comply with the safety and fitness regulations promulgated by the FMCSA, including those relating to drug and alcohol testing and hours-of-service. Drivers may drive up to eleven hours within a fourteen-hour non-extendable window from the start of the workday, following at least ten consecutive hours off duty. Further, drivers may drive up to a total of seventy hours in any eight consecutive days. However, motor freight carriers and drivers may restart calculations of the seventy hour on-duty limit after the driver has at least thirty-four consecutive hours off duty.

We are also subject to various environmental laws and regulations dealing with the handling of hazardous materials, air emissions from our vehicles and facilities, engine idling, and discharge and retention of storm water. These regulations have not had a significant impact on our operations or financial results and we do not expect a negative impact in the future

## **ITEM 1A. RISK FACTORS.**

### **Recent improvements in the motor freight industry may hinder or prevent our acquisition of additional trucking companies.**

The motor freight industry, as a whole, has experienced an increased demand for trucks and an improvement in revenues, as our general economy appears to be recovering from the most recent recessionary period ( *American Trucking Associations and Cass Information, July 2014* ) While the growth in freight demand has been relatively flat from mid-2011 through 2013, freight tonnage was up over twenty percent relative to tonnages at the bottom of the recession in mid-2009. Although not as robust an economic recovery as many have hoped for, the economy seems to be slowly recovering. Through the first half of 2014 cargo volumes trended upward and have subsequently been inconsistent relative to year-over-year comparisons according to ATA data. Moreover, because of the industry's overall capacity constraint, prices have trended upward in 2014, as well. If these trends continue, the financial viability of motor freight carriers who have survived the recession will likely improve and may decrease their interest in being acquired. Our acquisition and growth strategy has been based in part on depressed values for motor freight carriers and a desire to sell based on poorer than historical financial performance. Without these incentives, we may find it more difficult to locate trucking companies with an interest in being acquired, or if they have such an interest, being acquired for consideration that fits our financial model

### **Our recent experience with two acquisitions may hinder future acquisitions.**

Subsequent to our acquisitions of Cross Creek Trucking and Triple C Transport, both ceased operations and have been sold. Our lack of success in maintaining and expanding the business of these two subsidiaries may discourage owners of desirable acquisition targets from considering a sale of their companies to us. Our growth will be hindered if we cannot make additional acquisitions.

### **We have experienced difficulty in combining and consolidating the management and operations of our acquired companies which has had a material adverse impact on our operations and financial performance, as well as on our future acquisitions, if any.**

We have purchased our operating subsidiaries and expect any additional subsidiaries we purchase to be made from the founders and management of the acquired companies, all of whom have been responsible for their own businesses and methods of operations as independent business owners. While these individuals will continue to be responsible entirely or to a lesser degree for the continuing operations of our operating subsidiaries, we intend to centralize and standardize many areas of operations. We have had limited success in consolidating operating functions between our two subsidiaries. We may be able to develop a cohesive corporate culture in the future. Our inability to successfully combine and consolidate the policies, procedures and operations of our subsidiaries can be expected to have a material adverse effect on our business and prospects, financial and otherwise.

### **Our information management systems are diverse, may prove inadequate and may be difficult to integrate or replace.**

We depend upon our information management systems for many aspects of our business. Each operating subsidiary and each company we acquire will have its own information management system with which its employees are acquainted. None of these systems are adequate to our consolidated operations and may not be compatible with a centralized information management system. We expect to require additional software to initially integrate existing systems or to ultimately replace these diverse systems. Switching to new information management systems is often difficult, resulting in disruption, delays and lost productivity, which could impact our dispatching, collections and other operations. Our business will be materially and adversely affected if our information management systems are disrupted or if we are unable to improve, upgrade, integrate, expand or replace our systems as we continue to execute our growth strategy. We anticipate a need to make substantial ongoing investments in our management information systems in order to properly and efficiently consolidate the operations of our acquired subsidiaries.

**Our management information systems are subject to certain risks that we cannot control.**

Our management information systems, including dispatching and accounting systems, are dependent upon third-party software, global communications providers, telephone systems and other aspects of technology and Internet infrastructure that are susceptible to failure. Our management information systems is susceptible to outages, computer viruses, break-ins and similar disruptions that may inhibit our ability to provide services to our customers and the ability of our customers to access our systems. This may result in the loss of customers or a reduction in demand for our services.

**If we are unable to successfully execute our growth strategy, our business and future results of operations may suffer.**

Our growth strategy includes the acquisition of additional motor freight companies to increase revenues, to selectively expand our geographic footprint and to broaden the scope of our service offerings. If we are unable to acquire additional motor freight companies at prices that meet our financial model, our growth will be limited to expanding sales and reducing expenses in our existing subsidiaries. In connection with our growth strategy, we may purchase additional equipment, expand and upgrade service centers, hire additional personnel and increase our sales and marketing efforts.

Our growth strategy exposes us to a number of risks, including the following:

- Geographic expansion and acquisitions require start-up costs that could expose us to temporary losses;
- Growth and geographic expansion is dependent on the availability of freight and customer needs. Shortages of suitable real estate that accommodates both customers' and carriers' needs may limit our geographic expansion and might cause congestion in our service center network, which could result in increased operating expenses;
- Growth may strain our management, capital resources, information systems and customer service;
- Hiring new employees may increase training costs and may result in temporary inefficiencies until those employees become proficient in their jobs;
- Expanding our service offerings may require us to enter into new markets and encounter new competitive challenges;
- Growth through acquisition could require us to temporarily match existing freight rates of the acquiree's markets, which may be lower than the rates that we would typically charge for our services; and
- We may be unable to obtain financing of the cash portion of an acquisition price or to provide a working capital infusion for an acquisition.

We have no assurance we will overcome the risks associated with our growth. If we fail to overcome these risks, we may not be able to make additional acquisitions, realize additional revenue or profits from our efforts, we may incur additional expenses and therefore our financial position and results of operations could be materially and adversely affected.

**We operate in a highly competitive and fragmented industry, and our business will suffer if we are unable to adequately address potential downward pricing pressures and other factors that may adversely affect our operations and profitability.**

We compete with many other truckload carriers of varying size that provide dry-van and temperature-sensitive service of varying sizes and, to a lesser extent, with less-than-truckload carriers, air freight, railroads and other transportation companies, many of which have more equipment, a wider range of services and greater capital resources than we do or have other competitive advantages. We expect to experience difficulty in competing with larger companies. Numerous other competitive factors could impair our ability to maintain our revenues and achieve profitability. These factors include, but are not limited to, the following:

- We compete with many other transportation service providers of varying sizes, some of which may have more equipment, a broader coverage network, a wider range of services, greater capital resources or have other competitive advantages;
- Some of our competitors periodically reduce their prices to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase prices or maintain revenue growth;
- Many customers reduce the number of carriers they use by selecting "core carriers," as approved transportation service providers, and in some instances we may not be selected;
- Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress prices or result in the loss of some business to competitors;
- The trend towards consolidation in the ground transportation industry may create other large carriers with greater financial resources and other competitive advantages relating to their size;
- Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments; and
- Competition from non-asset-based logistics and freight brokerage companies may adversely affect our customer relationships and pricing policies.

**If our employees were to unionize, our operating costs would increase and our ability to compete would be impaired .**

None of our employees are currently represented under a collective bargaining agreement. From time to time there may be efforts to organize our employees. There is no assurance that our employees will not unionize in the future, particularly if legislation is passed that facilitates unionization, such as the Employee Free Choice Act. The unionization of our employees could have a material adverse effect on our business, financial condition and results of operations because:

- Some shippers have indicated that they intend to limit their use of unionized trucking companies because of the threat of strikes and other work stoppages;
- Restrictive work rules could hamper our efforts to improve and sustain operating efficiency;
- Restrictive work rules could impair our service reputation and limit our ability to provide next-day services;
- A strike or work stoppage would negatively impact our profitability and could damage customer and employee relationships; and
- An election and bargaining process could divert management's time and attention from our overall objectives and impose significant expenses.

**Insurance and claims expenses could significantly reduce our profitability.**

We are exposed to claims related to cargo loss and damage, property, damage, personal injury, workers' compensation, long-term disability and group health. We have insurance coverage with third-party insurance carriers, but retain or self-insure a portion of the risk associated with these claims. If the number or severity of claims increases, or we are required to accrue or pay additional amounts because the claims prove to be more severe than our original assessment, our operating results would be adversely affected. Insurance companies may require us to obtain letters of credit to collateralize our self-insured retention. If these requirements increase, our borrowing capacity could be adversely affected. Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We expect our growth strategy to require a periodic reassessment of our insurance strategy, including self-insurance of a greater portion of our claims exposure resulting from workers' compensation, auto liability, general liability, cargo and property damage claims, as well as employees' health insurance under pending federal legislation, which we are unable to predict. We may also become responsible for our legal expenses relating to such claims. With growth, we will be required to periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers have raised premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. If these expenses increase, or if we experience a claim in excess of our coverage limits, or we experience a claim for which coverage is not provided, results of our operations and financial condition could be materially and adversely affected.

**Our customers and suppliers' business may be slow to recover from the most recent downturn in the world wide economy and disruption of financial markets. We cannot predict the impact on the national and worldwide economy of an economic downturn.**

Our business is dependent on a number of general economic and business factors that may have a materially adverse effect on our results of operations, many of which are beyond our control, table terms, because of the disruptions to the capital and credit markets. These customers represent a greater potential for bad debt losses, which may require us to increase our reserve for bad debt. Economic conditions resulting in bankruptcies of one or more of our large customers could have a significant impact on our financial position, results of operations or liquidity in particular year or quarter. Our suppliers' business levels have also been and may continue to be adversely affected by current economic conditions or financial constraints, which could lead to disruptions in the supply and availability of equipment, parts and services critical to our operations. A significant interruption in our normal supply chain could disrupt our operations, increase our costs and negatively impact our ability to serve our customers.

**We may be adversely impacted by fluctuations in the price and availability of diesel fuel.**

We require large amounts of diesel fuel to operate our tractors and to power the temperature-control units on our trailers. Fuel is one of our largest operating expenses. Fuel prices tend to fluctuate and prices and availability of all petroleum products are subject to political, economic and market factors that are beyond our control. We do not hedge against the risk of diesel fuel price increases. We depend primarily on fuel surcharges, auxiliary power units for our tractors, volume purchasing arrangements with truck stop chains and bulk purchases of fuel at our terminals to control and recover our fuel expenses. We have no assurance that we will be able to collect fuel surcharges or enter into volume purchase agreements in the future. An increase in diesel fuel prices or diesel fuel taxes, or any change in federal or state regulations that results in such an increase, could have a material adverse effect on our operating results, unless the increase is offset by increases in freight rates or fuel surcharges charged to our customers. Historically, we have been able to offset significant increases in diesel fuel prices through fuel surcharges to our customers, and we were able to minimize the negative impact on our profitability in fiscal 2011 through 2012 that resulted from the rapid and significant increase to the cost of diesel fuel. Depending on the base rate and fuel surcharge levels agreed upon by individual shippers, a rapid and significant decline in the cost of diesel fuel could also have a material adverse effect on our operating results. We continuously monitor the components of our pricing, including base freight rates and fuel surcharges, and address individual account profitability issues with our customers when necessary. While we have historically been able to adjust our pricing to offset changes to the cost of diesel fuel, through changes to base rates and/or fuel surcharges, we cannot be certain that we will be able to do so in the future. The absence of meaningful fuel price protection through these measures, fluctuations in fuel prices, or a shortage of diesel fuel, could materially and adversely affect our results of operations.

**Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.**

We are subject to various federal, state and local environmental laws and regulations dealing with the handling and transportation of hazardous materials ("hazmat") and waste ("hazwaste") (which accounts for approximately twenty percent of our current business). We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, among others. If a spill or other accident involving fuel, oil or hazardous substances occurs, or if we are found to be in violation of applicable laws or regulations, it could have a material adverse effect on our business and operating results. One of our subsidiaries specializes in transport of hazardous materials and waste. If we should fail to comply with applicable environmental laws and regulations, we could be subject to substantial fines or penalties, to civil and criminal liability and to loss of our licenses to transport the hazardous materials and waste. Under certain environmental laws, we could also be held responsible for any costs relating to contamination at our past facilities and at third-party waste disposal sites. Any of these consequences from violation of such laws and regulations could be expected to have a material adverse effect on our business and prospects, financial and otherwise.

**Increased prices, reduced productivity, and restricted availability of new revenue equipment could cause our financial condition, results of operations and cash flows to suffer.**

Prices for new tractors have increased over the past few years, primarily as a result of higher commodity prices, better pricing power among equipment manufacturers, and government regulations applicable to newly manufactured tractors and diesel engines. We expect to continue to pay increased prices for revenue equipment and incur additional expenses and related financing costs for the foreseeable future. Our business could be harmed if we are unable to continue to obtain an adequate supply of new tractors and trailers or if we have to pay increased prices for new revenue equipment. We face increasing prices for new power units.

**Seasonality and the impact of weather can adversely affect our profitability.**

Our tractor productivity generally decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments. At the same time, operating expenses generally increase with harsh weather creating higher accident frequency, increased claims and more equipment repairs. We can also suffer short-term impacts from weather-related events such as hurricanes, blizzards, ice-storms, and floods that could harm our results or make our results more volatile.

**Increases in driver compensation, difficulty in attracting drivers and driver turn-over could affect our profitability and ability to grow .**

We periodically experience difficulties in attracting and retaining qualified drivers, including independent contract drivers. With increased competition for drivers, we could experience greater difficulty in attracting sufficient numbers of qualified drivers. Our competitors may offer better compensation plans, and thus increase the driver turnover we experience. Due to current economic conditions and regulatory changes which have recently increased the demand for drivers and the cost of fuel and insurance, the available pool of independent contractor drivers is smaller than it was during 2008 through 2010. Accordingly, we may and periodically do face difficulty in attracting and retaining drivers for all of our current tractors and for those we may add. We may face difficulty in increasing the number of our independent contractor drivers. In addition, our industry suffers from high turnover rates of drivers. Our turnover rate requires us to recruit a substantial number of drivers. Moreover, our turnover rate could increase. If we are unable to continue to attract drivers and contract with independent contractors, we could be required to continue adjusting our driver compensation package beyond the norm or let equipment sit idle. An increase in our expenses or in the number of power units without drivers could materially and adversely affect our growth and profitability. Our operations may be affected in other ways by a shortage of qualified drivers in the future, such as temporary under-utilization of our fleet, difficulty in meeting shipper demands and increases in compensation levels for our drivers. When we encounter difficulty in attracting or retaining qualified drivers, our ability to service our customers and increase our revenue could be adversely affected. A shortage of qualified drivers in the future could cause us to temporarily under-utilize our fleet, face difficulty in meeting shipper demands and increase our compensation levels for drivers.



**Shrinkage in the pool of eligible drivers could affect our profitability and ability to grow.**

The ongoing Comprehensive Safety Analysis, often referred to as CSA 2010, is projected to reduce the driver pool. Every driver receives a score based upon his or her individual performance in six categories, which are then combined into a single score, and this score is compared to the scores of all other drivers to determine how "safe" the driver is. Drivers with lower scores are less hireable or not hireable. (*Fleet Owner*, December 13, 2012) A shortage of qualified drivers from time to time could cause us to temporarily under-utilize our fleet, face difficulty in this seems aged a bit meeting shipper demands and increase our compensation levels for drivers.

**We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future regulations could have a materially adverse effect on our business.**

The USDOT and various state and local agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and insurance requirements. Our company drivers and independent contractors also must comply with the safety and fitness regulations promulgated by the USDOT, including those relating to drug and alcohol testing and hours-of-service. We also may become subject to new or more restrictive regulations relating to fuel emissions, drivers' hours-of-service, ergonomics, or other matters affecting safety or operating methods. Other agencies, such as the EPA and the Department of Homeland Security, or DHS, also regulate our equipment, operations, and drivers. Future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs incurred by us or by our suppliers who pass the costs onto us through higher prices could adversely affect our results of operations.

In the aftermath of the September 11, 2001 terrorist attacks, federal, state, and municipal authorities have implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. As a result, it is possible we may fail to meet the needs of our customers or may incur increased expenses to do so. These security measures could negatively impact our operating results.

Some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle, in order to reduce exhaust emissions. From time to time, various federal, state, or local taxes are increased, including taxes on fuels. We cannot predict whether, or in what form, any such increase applicable to us will be enacted, but such an increase could adversely affect our profitability.

**Higher interest rates on borrowed funds would adversely impact our results of operations.**

We rely on borrowings to finance our revenue equipment and receivables. We are subject to interest rate risk to the extent of our borrowings. Even though we attempt to manage our interest rate risk by managing the amount of debt we carry, our debt levels are not entirely within our control in the short term. An increase in the rates of interest we incur on borrowings and financing we cannot decrease in the short term without adversely impacting our level of service to our customers and expansion of our business will adversely affect our results of operations.

**"Penny stock" rules may make buying and selling our common stock difficult.**

Trading in our common stock is subject to the "penny stock" rules of the Securities and Exchange Commission. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Our securities are subject to the penny stock rules, and investors may find it more difficult to sell their securities.

**We do not have controls and procedures in place as required by Section 404 of the Sarbanes-Oxley Act of 2002.**

As noted above, the operational and financial control of our subsidiaries has remained under the management of the founders of and stockholders from whom we acquired the respective companies. We do not have controls and procedures in place from a parent company level or the subsidiary level to satisfy Section 404 of the Sarbanes-Oxley Act of 2002. While we expect to put controls and procedures in place for these purpose in the process of consolidating and centralizing overlapping and duplicative elements of these companies, doing so will require debt or equity funding you have no assurance we will be able to obtain. Until we are able to put these controls and procedures in place, we expect to devote additional management time to confirming the accuracy and timeliness of our reports.

**We will incur significant expense in complying with Section 404 of the Sarbanes-Oxley Act of 2002 on a timely basis.**

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act, adopted rules generally requiring each public company to include a report of management on the company's internal controls over financial reporting in its annual report on Form 10-K that contains an assessment by management of the effectiveness of the company's internal controls over financial reporting. We expect that we may need to hire and/or engage additional personnel and incur incremental costs in order to complete the work as required by Section 404. We have initially concluded that our internal controls are not effective; in the event that in the future we conclude that our internal controls are effective, our independent accountants may disagree with our assessment and may issue a report that is qualified. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

We are not an accelerated filer or a large accelerated filer, as defined in Rule 12b-2 of the Exchange Act (§240.12b-2 of this chapter), or a well-known seasoned issuer as defined in Rule 405 of the Securities Act (§230.405 of this chapter); and, we are not subject to this item. Nevertheless, we do not have any unresolved comments from the SEC staff.

**ITEM 2. PROPERTIES.**

During the initial restructuring management elected to eliminate as much corporate overhead as possible to include the elimination of its corporate headquarters in Florida. Our senior management during this period provided services using our CEO's offices in Danbury, CT and a virtual office in Florida. We anticipate that we will establish a corporate headquarters, but you have no assurance as to when or if we will do so.

The offices of our operating subsidiaries are located in Hamburg, Arkansas and Scotts Bluff, Nebraska. The following table presents information regarding these facilities.

<b>Location</b>	<b>Acres</b>	<b>Under Roof*</b>	<b>Office*</b>	<b>Warehouse*</b>	<b>Service*</b>	<b>Trucks Accommodated</b>
Hamburg facility (Morris)	10	15,000	3,000	none	12,000	170 trucks
Scotts Bluff facility (Smith)	10	36,500	3,000	30,000	3,500	400 trucks

\*Number indicates square feet.

We lease both of these facilities. Terms of the leases are described in the following table:

<b>Location</b>	<b>Lessor</b>	<b>Lease ends</b>	<b>Annual rental</b>	<b>Annual adjustment</b>
Hamburg facility (Morris)	T. Mark Morris	(1)	(1)	none
Scotts Bluff facility (Smith)	Colorado Holdings	(2)	(2)	none

- (1) We have been paying the mortgage payments to an unrelated lender on behalf of an entity controlled by Mr. Morris as rent without a formal lease and intend to purchase the property at fair market value, as determined by appraisal, which may require us to refinance the mortgage.
- (2) The facility is owned by Colorado Holdings, a company controlled by Mr. Smith, Annual rental rate is \$48,000, which we accrue but are not being required to pay until Smith Systems Transportation's cash flow is adequate.

We also have a rented terminal operation in Arcadia, California principally to serve the Smith Systems Transportation eastbound shipments. We also rent yard facilities or drop yards on a short term basis as the seasonal and operational needs of our customers require. These yard facilities are routinely located in Kimball, Nebraska, Denver, Colorado, Las Vegas, Nevada, Tulsa, Oklahoma, Indianapolis, Indiana, and Houston, Texas. In most cases yard facilities are limited to leasing a specific number of secure (fenced) trailer parking places. Typically we rent on an as-needed basis in terminal facilities of other trucking companies.

We believe all of these facilities are adequate for our operations for the foreseeable future. We expect to acquire additional facilities for operations when we make future acquisitions, of which you have no assurance.

### **ITEM 3. LEGAL PROCEEDINGS**

Our ability to aggressively defend and to prosecute the litigation described under this item depends significantly on our ability to fund legal fees and related costs of litigation.

#### **Active litigation:**

As a lender to the Company and its subsidiaries, Hillair Capital Investments, LP partially funded the Company's acquisition of Cross Creek and a portion of the Company's working capital requirements in 2011 via two notes totaling \$339,660. Hillair initially sought \$1,200,000 in unspecified damages in New York State. In 2014, the Company settled with Hillair for \$400,000 payable \$100,000 down and \$300,000 paid pro rata over the following three year period. Under the court order the Company became in default of the agreement by its terms. In the event of a default, Hillair's recovery is limited to \$450,000. The Company continues to discuss with Hillair an economic resolution of the matter and has booked the full defaulted amount.

In April 2012, the Company entered into a forbearance agreement with Michael S. DeSimone, former owner of Cross Creek Trucking, Inc. As part of the agreement we issued a confession of judgment to Mr. DeSimone in the amount of \$3,745,415 plus accrued interest. We agreed to pay \$5,000 per month commencing September 1, 2012 but are not currently in compliance with the agreement and are in negotiations to restructure the terms of the original agreement.

In January 2013 Robins Consulting, Inc. filed suit against us and our former CEO Paul Henley for \$572,000 in broker fees related to the acquisition of Cross Creek Trucking, and in December 2014, received a judgment in the amount of \$991,000. The Company has filed counter claims, and a bill of review to overturn the judgment. In addition, the Company has filed suit against Robins for its role in the acquisition of Cross Creek Trucking. The amount of \$572,500 is included in notes payable at March 2015..

#### **Settled Litigation during the fiscal year :**

As a lender to the Company, Luberski, Inc. loaned the Company \$400,000, via two Notes in 2011. The Company defaulted on both loans and Luberski ultimately received a judgment against one of Company's two subsidiaries. In 2015, the Company and Luberski have agreed to economic terms but have not concluded the legal terms of the settlement. The Company has booked reserves equivalent to the debt outstanding plus interest and fees that may become due.

In 2012, Chapman and Associates sued the Company for fees related to their introduction of two acquired subsidiaries of the Company and received a judgment for the full amount of the suit. In March 2015 the Company and Chapman settled this judgment with a combination of cash and stock.

The Nutmeg/Fortuna Fund litigation relates to the collection on a 2008 promissory note. The Company has reserved \$175,000 relating to this matter. In March 2015 we settled with Nutmeg Fortuna utilizing a cash down payment and a short term note.

Our ability to aggressively defend and to prosecute the litigation described under this item depends significantly on our ability to fund legal fees and related costs of litigation.

#### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

**Market information.** Our common stock trades on OTC Bulletin Board under the symbol, IFCR. The following quotations reflect inter-dealer prices without retail markup, markdown, or commission, and may not necessarily represent actual transactions. The quarterly ranges of high and low sales prices per share for the past two fiscal years have been as follows:

Quarters Ended	Sales Price	
	High	Low
June 30, 2013	\$ .03	\$ .003
September 30, 2013	.035	.001
December 31, 2013	.02	.001
March 31, 2014	.02	.005
June 30, 2014	\$ .01	\$ .004
September 30, 2014	.009	.002
December 31, 2014	.017	.002
March 31, 2015	.014	.002

On July 13, 2015, the last reported sales price of our common stock was \$.0017.

**Dividends.** We have never declared or paid any dividends on our common stock. Because we currently intend to retain any future earnings to finance operations and growth, we do not anticipate paying any cash dividends in the foreseeable.

**Transfer Agent.** We have engaged Direct Transfer LLC, 500 Perimeter Park Drive, Suite D, Morrisville, NC, 27560 as our transfer agent. The telephone number of our transfer agent is 919-481-4000.

**Recent Sales of Unregistered Securities** . All sales of equity securities during our fiscal year ended March 31, 2015 have been reported on Form 8-K and Form 10-Q. The following is a listing of all equity securities issued since that date through the date of this report;

In April 2015, the Company issued 43,249,254 common shares in satisfaction of convertible debt.

In May 2015, the Company issued 35,945,000 common shares in satisfaction of convertible debt.

In May 2015, the Company issued 26,519,682 common shares for accrued compensation to Officers of the Company.

In May 2015, the Company issued 2,500,000 common shares for services.

In May 2015, the Company issued 35,945,000 common shares in satisfaction of convertible debt.

In June 2015, the Company issued 115,922,654 common shares in satisfaction of convertible debt.

In July 2015, the Company issued 36,544,188 common shares as part of a debt settlement.

These shares were issued in transactions deemed exempt from the registration requirements of the Securities Act, in reliance of either or both Regulation D or Section 4(2) of the Securities Act as a transaction by an issuer not involving a public offering.

## **ITEM 6. SELECTED FINANCIAL DATA**

As a Smaller Reporting Company, we are not required to include the disclosure under this Item 6 Selected Financial Data.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

You should read the following information in conjunction with our financial statements and related notes contained elsewhere in this report. You should consider the risks and difficulties frequently encountered by early-stage companies, particularly those engaged in new and rapidly evolving markets and technologies. Our limited operating history provides only a limited historical basis to assess the impact that critical accounting policies may have on our business and our financial performance.

### **Overview**

The main factors that affect our results of operations are the number of tractors we operate, our revenue per tractor (which includes primarily our revenue per total mile and our number of miles per tractor), and our ability to control our costs.

Over the course of the last year, market prices for diesel fuel have been substantially more stable than 2011-2012. As a result, fuel surcharges have tended to more adequately reflect the recapture of continued high fuel costs. Management routinely compares market fuel price fluctuations relative to the Company base fuel price in an effort to insure that its fuel surcharge level is adequate and that it is properly applied to all freight invoices.

## Operating Results

The following table presents and compares the results of our operations for the fiscal years ended March 31, 2014 and 2013.

	2015	2014	\$ change	% change
Revenue	18,970,809	20,166,312	(1,195,503)	-5.9%
<b>Operating Expenses</b>				
Rents and transportation	5,399,106	5,272,372	126,734	2.4%
Wages, salaries and benefits	5,202,476	5,401,424	(198,948)	-3.7%
Fuel and fuel taxes	4,790,160	5,915,747	(1,125,587)	-19.0%
Insurance and claims	1,242,332	1,409,471	(167,139)	-11.9%
Operating taxes and licenses	338,795	251,219	87,576	34.9%
Stock based compensation	289,200	121,924	167,276	137.2%
General and administrative	1,273,151	1,297,183	(24,032)	-1.9%
Depreciation and amortization	526,910	926,622	(399,712)	-43.1%
<b>Total Operating Expenses</b>	<b>19,062,130</b>	<b>20,595,962</b>	<b>(1,533,832)</b>	<b>-7.4%</b>
Income(Loss) from operations	(91,321)	(429,650)	338,329	-78.7%
<b>Other Income (Expense)</b>				
Derivative Gain (Loss)	5,240	20,706	(15,466)	-74.7%
Interest expense	(963,457)	(1,380,289)	416,832	-30.2%
Other income (expense)	320,326	286,943	33,383	11.6%
Gain on debt settlements	1,013,389	69,334	944,055	-
<b>Total Other Income (Expense)</b>	<b>375,498</b>	<b>(1,003,306)</b>	<b>1,378,804</b>	<b>-137.4%</b>
Non-controlling interest - income (loss)	-	-	-	-
Income (loss) from continuing operations	284,177	(1,432,956)	1,717,133	-119.8%
Income (loss) from discontinued operations	-	-	-	-
<b>Net Income (Loss)</b>	<b>284,177</b>	<b>(1,432,956)</b>	<b>1,717,133</b>	<b>-119.8%</b>

Our largest expenses, for example truck lease and financing costs, tend to be fixed. These expenses represent a significant use of cash flow. Our driver payroll fluctuates with the freight shipped; however, we do have fixed payroll expenses for the office, management and the shop that do not vary in relation to freight revenues. The Company achieved substantial reductions in both general and administrative expenses as well as other areas of fixed overhead expense. The operating companies have focused much attention on revenue quality, that is, improving the per mile yield. With the improving economy, the companies have been able to take selective rate increases and discontinue business that did not meet minimum per mile yield standards. For the full year the operating companies also improved fuel expense through improved buying and better miles per gallon.

## Seasonality

Typically, revenue generally decreases as customers reduce shipments during the winter holiday season and as inclement weather impedes operations. At the same time, operating expenses generally increase, with fuel efficiency declining because of engine idling and weather, creating more equipment repairs. For the reasons stated, our fiscal fourth quarter results have historically has been lower than results in each of the other three quarters of the fiscal year excluding charges. Our equipment utilization typically improves substantially in the first and second fiscal quarters of each fiscal year because of the trucking industry's seasonal shortage of equipment. It is during these periods that most U.S. manufacturing firms conduct the heaviest shipment volumes of the year. Moreover, industry capacity is further stretched during these periods by agriculture-related seasonal demand for trucking services.

## **Results of Continuing Operations**

### **Revenues**

For the fiscal year ended March 31, 2015, we reported revenues of \$18,970,809 as compared to revenues of \$20,166,312 for the fiscal year ended March 31, 2014, a decrease of \$1,195,503 or 5.9%. This decrease is due to the combination of an unusually difficult winter weather season and the continuing shortage of qualified truck drivers.

### **Operating Expenses**

Our total operating expenses decreased 7.4% to \$19,062,130 for the fiscal year ended March 31, 2015, as compared to \$20,595,962 for the fiscal year ended March 31, 2014. These changes include:

**Rents and Transportation.** For the fiscal year ended March 31, 2015, rents and transportation costs were \$5,399,106 as compared to \$5,272,372 for the fiscal year ended March 31, 2014, an increase of \$126,734 or 2.4%. The increase was primarily a result of greater reliance on full service truck leases because of a shortage of growth capital available for tractor purchases.

**Wages, salaries and benefits.** For the fiscal year ended March 31, 2015, wages, salaries and benefits costs were \$5,202,476 as compared to \$5,401,424 for the fiscal year ended March 31, 2014, a decrease of \$198,948 or 3.7%.

**Fuel and fuel taxes.** For the fiscal year ended March 31, 2015, the cost of fuel and fuel taxes were \$4,790,160 as compared to \$5,915,747 for the fiscal year ended March 31, 2014, a decrease of \$1,125,587 or 19%. The decrease in fuel expense is a result of slightly lower revenue miles and improved fuel mileage from the newer leased tractors in the fleet.

**Insurance and claims.** For the fiscal year ended March 31, 2015, insurance and claims costs were \$1,242,332 as compared to \$1,409,471 for the fiscal year ended March 31, 2014, a decrease in of \$167,139 or 11.9%, which we believe is in line with industry-wide insurance rate decreases for the period.

**Operating taxes and licenses.** For the fiscal year ended March 31, 2015, operating taxes and licenses costs were \$338,795 as compared to \$251,219 for the fiscal year ended March 30, 2014, an increase of \$87,576 or 34.9%.

**Stock based compensation.** For the fiscal year ended March 31, 2015, stock based compensation was \$289,200 as compared to 121,924 for the fiscal year ended March 31, 2014, an increase of \$167,276 or 137.2%.

**General and administrative expenses.** General and administrative expenses are the expenses of operating the business on a daily basis that are not related directly to cost of services and include managerial salaries, legal fees and rent and utilities. General and Administrative expenses were \$1,273,151 for the fiscal year ended March 31, 2015 as compared to fiscal year ended March 31, 2014, when general and administrative expenses costs were \$1,297,183, a decrease of \$24,032 or 1.9%. This comparative decrease is a direct result of management's restructuring and turnaround plan initially implemented during 2013. In this plan, corporate overhead was severely reduced or eliminated and no resources were expended for G&A in 2015 other than those deemed by the board and management as mission critical.

**Depreciation and amortization.** For the fiscal year ended March 31, 2015, depreciation and amortization costs were \$526,910 as compared to \$926,622 for the fiscal year ended March 31, 2014, a decrease of \$399,712 or 43.1%. This decrease is due to the subsidiary companies converting to full service tractor leases, and intangible assets being fully amortized.

**Income (Loss) from Operations** We reported a loss from operations of \$91,321 for the fiscal year ended March 31, 2015 as compared to a loss from operations of \$429,650 for the fiscal year ended March 31, 2014, a decrease of \$338,329 or 78.7%.

## **Other Income (Expense)**

We reported total other income (expense) of \$375,498 for the fiscal year ended March 31, 2015 as compared to (\$1,003,306) for the fiscal year ended March 31, 2014, an increase of \$1,378,804. This large increase is the cumulative effect of the changes in each of the following components of other income (expense);

We had a gain on derivatives of \$5,240 for the fiscal year ended March 31, 2015 as compared to a derivative gain of \$20,706 for the fiscal year ended March 31, 2014.

Interest expense for the fiscal year ended March 31, 2015 was \$963,457 compared to \$1,380,289 for the fiscal year ended March 31, 2014, a decrease of \$416,832 or 30.2%.

Other income (expense) for the fiscal year ended March 31, 2015 was \$320,326 compared to \$286,943 for the fiscal year ended March 31, 2014, an increase of \$33,383 or 11.6%.

We had gain on debt settlements of \$1,013,389 for the fiscal year ended March 31, 2015 as compared to \$69,334 for the fiscal year ended March 31, 2014. These gains were a result of management executing its business plan to restructure its balance sheet and eliminate debt.

## **Net Income (Loss)**

The Company had a net income of \$284,177 for the fiscal year ended March 31, 2015 as compared to a net loss of \$1,432,956 for the fiscal year ended March 31, 2014, an increase of \$1,717,133.

## **Results by Operational Subsidiary**

### ***Morris Transportation***

For the fiscal year ended March 31, 2015, Morris Transportation had revenues of \$8,471,821 compared with revenues of \$9,501,416 for the fiscal year ended March 31, 2014, a decrease of \$1,029,595 or 10.8%. This decrease is primarily due to generally weaker demand in the paper markets and intense competition in the driver recruiting and retention markets. As a result, the company experienced several unmanned power units much of the year.

For the fiscal year ended March 31, 2015, Morris Transportation had a net loss of \$94,239 compared with a net loss of \$241,200 for the fiscal year ended March 31, 2014, a bottom line improvement of \$146,961.

Morris Transportation total assets at March 31, 2015, were \$1,665,562, as compared to total assets of \$2,587,833 as of March 31, 2014, a decrease of \$922,271. This decrease is primarily due to the company's ongoing conversion from owned to leased power units.

### ***Smith Systems Transportation***

For the fiscal year ended March 31, 2015, Smith Systems Transportation had revenues of \$10,498,958 compared with revenues of \$10,664,895 for the fiscal year ended March 31, 2014, a decrease of \$165,937 or 1.5%. This decrease is primarily due to increased petroleum charges, general improvement in the trucking demand in the Central and Mountain markets of the United States and, specifically, to much stronger demand in the hazardous waste market. Smith was able to service this significant increase in demand by expanding its capacity with both company and independent contractor drivers.

Smith Systems Transportation had a net income of \$666,113 for the fiscal year ended March 31, 2015 compared with a net loss of \$224,928 for the fiscal year ended March 31, 2014, an improvement of \$891,041. This increase is primarily a result of strong demand in the hazardous waste markets to include the expanding hydraulic fracturing water recovery market.

Smith Systems total assets were \$2,233,220 at March 31, 2015 as compared to total assets of \$1,909,203 at March 31, 2014, an increase of \$324,017.



## **Liquidity and Capital Resources**

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. The following table provides an overview of certain selected balance sheet comparisons related to continuing operations at March 31, 2015 and 2014.

	<u>March 31, 2015</u>	<u>March 31, 2014</u>	<u>\$ change</u>	<u>% change</u>
Working Capital	(10,710,215)	(13,205,745)	2,495,530	-18.9%
Cash	131,290	35,818	95,472	266.5%
Accounts receivable, net	2,701,874	2,426,976	274,898	11.3%
Prepaid expenses and other assets	279,005	360,052	(81,047)	-22.5%
Property and equipment, net	757,927	1,962,039	(1,204,112)	-61.4%
Bank overdraft	112,180	266,042	(153,862)	-57.8%
Accounts payable	852,391	1,417,189	(564,798)	-39.9%
Accrued expenses and other liabilities	2,583,661	2,173,662	409,999	18.9%
Other liabilities	721,130	721,130	-	0.0%
Line of credit	722,761	708,108	14,653	2.1%
Notes payable	9,868,128	12,394,292	(2,526,164)	-20.4%
Derivative liability	3,634	8,874	(5,240)	-59.0%
Preferred stock	450,000	-	450,000	0.0%
Common stock	455,653	260,524	195,129	74.9%
Additional paid-in capital	10,906,737	9,925,421	981,316	9.9%

### ***Cash Flows and Working Capital***

Our cash flow from operations at the subsidiary level is sufficient to meet current subsidiary obligations. In fiscal year 2014 and 2013, we relied upon additional investment through sales of common stock and debentures in order to fund total operations. We anticipate raising significant amounts of capital to fund organic growth as well as acquisitions in the next fiscal year.

At March 31, 2015, we had \$131,290 in cash and cash equivalents. We had receivables, net of allowances, of \$2,701,874 and our current liabilities were \$13,822,384.

Our sales cycle can be several weeks or longer, followed by a period of time in which to collect our receivables, with some costs incurred immediately, making our business working-capital intensive. We do not anticipate a profitability level that would resolve its cash flow issues in the foreseeable future and expects to rely upon acquisitions and capital contributed by investors to fund its operations.

We have significant capital expenditures, although leasing can reduce our equipment cost when justified by the level of sales.

### ***Operating Activities***

Net cash provided by operating activities for the fiscal year ended March 31, 2015 totaled \$838,575 as compared to \$364,544 provided by operating activities for the fiscal year ended March 31, 2014, an increase of \$474,031. For the fiscal year ended March 31, 2015, we had a net income of \$284,177, which included a gain on sale of assets of \$179,976, and a huge gain on debt settlements in the amount of \$1,013,389. Non-cash items included depreciation and amortization expense of \$529,910, amortization of debt discount of \$56,665, and stock based compensation of \$289,200. During the fiscal year ended March 31, 2014, we experienced a net loss of \$1,432,956, which included a gain on the sale of assets of \$232,740 and a gain on debt settlements of \$69,334; along with non-cash items such as depreciation and amortization expense of \$926,622 and stock based compensation of \$121,924.

### ***Investing Activities***

Net cash provided by investing activities for the fiscal year ended March 31, 2015 was \$857,178, which included \$866,4479 from sale of assets, as compared to net cash provided by investing activities of \$538,428 for the fiscal year ended March 31, 2014.

### ***Financing Activities***

Net cash used in financing activities for the fiscal year ended March 31, 2015, was \$1,600,281 as compared to net cash used of \$948,583 for the fiscal year ended March 31, 2014. For the fiscal year ended March 31, 2015, net cash provided by financing activities related to proceeds received from notes payable of \$132,653 which were funds received from various lenders, and repayments of \$1,732,934 which were to pay down the balances on various notes related to the trucks and trailers. During the years ended March 31, 2015 and 2014, the Company used cash to reduce its indebtedness significantly.

### ***Cash Requirements***

The Company continues to maintain nominal balances in cash and cash equivalents. As discussed below, this amount and our current accounts receivable collections may be adequate to maintain our current level of operations for 30 to 60 days, after which we would need additional capital or face a significant curtailment of operations.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with United States Generally Accepted Accounting Principles ("GAAP") requires that management make a number of assumptions and estimates that affect the reported amounts of assets, liabilities, revenue, and expenses in our consolidated financial statements and accompanying notes. Our management evaluates these estimates and assumptions on an ongoing basis, utilizing historical experience, consulting with experts, and using other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates and assumptions, and it is possible that materially different amounts would be reported using differing estimates or assumptions. We consider our critical accounting policies to be those that are both important to the portrayal of our financial condition and results of operations and that require significant judgment or use of complex estimates. A summary of the significant accounting policies followed in preparation of the financial statements is contained in Note 1 to our consolidated financial statements.

### ***Property and Equipment***

Property and equipment are entered at acquisition cost and depreciated on a straight-line basis over their anticipated life. We estimate the salvage value of our equipment to be fifteen to twenty percent for tractors and trailers, if the equipment is kept in service for its entire useful life. This life expectancy is based upon our management's past experience of operations. The useful life of a typical tractor is seven fiscal years and a typical trailer is nine fiscal years. Our structures are forty fiscal years and leasehold improvements are the lesser of the economic life of the leasehold improvements or the remaining life of the lease.

### **Our ability to utilize net operating loss carry forwards may be limited**

As of March 31, 2015, the Company had net operating loss carry forwards (NOLs) of approximately \$20 million for federal income tax purposes that will begin to expire between the years of 2020 and 2035. These NOLs may be used to offset future taxable income, to the extent we generate any taxable income, and thereby reduce or eliminate our future federal income taxes otherwise payable. Section 382 of the Internal Revenue Code imposes limitations on a corporation's ability to utilize NOLs if it experiences an ownership change as defined in Section 382. In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percent over a three-year period. In the event that an ownership change has occurred, or were to occur, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate as defined in the Internal Revenue Code. Any unused annual limitation may be carried over to later years. We may be found to have experienced an ownership change under Section 382 as a result of events in the past or the issuance of shares of common stock upon a conversion of notes, or a combination thereof. If so, the use of our NOLs, or a portion thereof, against our future taxable income may be subject to an annual limitation under Section 382, which may result in expiration of a portion of our NOLs before utilization.

## Going Concern

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Our continuation is dependent upon attaining and maintaining profitable operations and raising additional capital as needed. In this regard, we have raised additional capital through the debt and equity offerings noted above. We do, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. We plan to sell additional equity securities, debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The issuance of additional equity securities, including convertible debt securities, by us could result in a significant dilution in the equity interests of our current stockholders. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer. In such event, we will be forced to scale down or perhaps even cease our operations.

We have undertaken steps as part of a plan to improve operating results with the goal of sustaining our operations for the next twelve months and beyond. These steps include (a) raising additional capital and/or obtaining financing; (b) increasing our revenues and gross profits; and (c) reducing expenses. Additionally, we are implementing a strategy to bring us to financial stability, which is as follows:

- A significant portion of our short term debt is in the hands of our subsidiary managers who, under the right circumstances, we believe may be willing to rework terms and to lengthen the maturity dates, as they have in the past, if that becomes necessary, lessening the short term debt on our balance sheet.
- A significant amount of short term debt on our balance sheet is convertible into common shares and we are optimistic a meaningful amount of this debt will ultimately be reduced with capital formation, conversion to common or preferred shares, thus eliminating a meaningful amount of debt from our balance sheet.
- We expect to continue to grow through acquisitions involving stock payments in lieu of cash. We expect this larger business base will give us an ever larger "platform" in order to more easily offset the corporate overhead and costs of being public.

You have no assurance that we will successfully accomplish these steps and it is uncertain whether we will achieve a profitable level of operations and/or obtain additional financing. You have no assurance that any additional financings will be available to us on satisfactory terms and conditions, if at all.

Our consolidated financial statements do not give effect to any adjustments which would be necessary should we be unable to continue as a going concern and therefore be required to realize our assets and discharge our liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

## Recent Accounting Pronouncements

See Consolidated Financial Statements beginning on page F-1.

## **Off-Balance Sheet Arrangements**

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

We have not entered into any transaction, agreement or other contractual arrangement with an entity unconsolidated with us under which we have:

- An obligation under a guaranty contract, although we do have obligations under certain sales arrangements including purchase obligations to vendors,
- A retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets,
- Any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument or,
- Any obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by us and material to us where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with us.

## **Effect of Changes in Prices**

Changes in prices in the past few fiscal years have not been a significant factor in the trucking industry. Prices to the end customer do vary with fuel prices, which are affected by means of a fuel surcharge that is set by the U S. Department of Energy and is common to all companies in the industry. The surcharge may affect the industry and the economy as a whole but does not differentiate between companies.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The financial statements required by this item, including an index to the financial statements, begin on page F-1 of this annual report.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

As of July 10, 2015, the firm of DKM Certified Public Accountants of Clearwater, Florida, resigned as our independent public accountant for the fiscal year ended March 31, 2015. DKM's reports on our financial statements for the fiscal years ended March 31, 2014 and 2013 reflect doubt about our ability to continue as a going concern. During such fiscal years, we have had no disagreements with DKM on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure

As of July 10, 2015, we have engaged the firm of Stevenson & Company CPAS LLC of Tampa, Florida, as our independent public accountant for the fiscal year ended March 31, 2015. During the fiscal years ended March 31, 2014 and 2015, we have not consulted Stevenson & Company regarding (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### **Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's principal executive officer and acting principal financial officer, who is the same person.

Based upon that evaluation, the principal executive officer and the principal financial officer concluded that the Company's disclosure controls and procedures were not effective at March 31, 2015 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. The Company's disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers as appropriate to allow timely decisions regarding required disclosure.

### **Internal Control over Financial Reporting**

#### *Management's Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect material misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and acting principal financial officer, who is the same person, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the *Internal Control – Integrated Framework* developed by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management, with the participation of our principal executive and acting principal financial officer, concluded that our internal control over financial reporting was not effective.

Management has identified the following material weakness in our internal control over financial reporting:

- Until we can consolidate our accounting and banking functions, our ability to implement internal controls over financial reporting will be limited.
- We do not have adequate software systems, personnel and other resources to assure that significant transactions are timely analyzed and reviewed.
- We do not have adequate personnel and financial resources available to plan, develop, and implement disclosure and procedure controls and other procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.
- Our limited financial resources restrict our employment of adequate personnel needed and desirable to separate the various receiving, recording, reviewing and oversight functions for the exercise of effective control over financial reporting.
- Our limited resources restrict our ability to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

#### *Changes in Internal Control over Financial Reporting*

Management is in the process of establishing the necessary controls over financial reporting to address the above material weaknesses. There were no other changes in our internal control over financial reporting that occurred during the last fiscal quarter for our fiscal year ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The following table and biographical information following the table provide information about our directors and executive officers as of March 31 2014

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>DIRECTOR SINCE</u>
David N. Fuselier	55	Director, Chairman and Chief Executive Officer	2012
Henry P. Hoffman	64	Director, President and Chief Operating Officer	2008
Jackson L. Morris	70	Corporation Secretary	n/a
Joseph Sikora	49	Director	July 2013

Our stockholders elect our directors. Our directors serve terms of one year and are generally elected at each annual stockholders meeting; provided, that there is no assurance we will hold a stockholders' meeting annually. Mr. Sikora is our independent director using the definition of independence contained in the NASDAQ listing rules. Our executive officers are elected by the board of directors and their terms of office are at the discretion of the board of directors, subject to terms and conditions of their respective employment agreements which we expect to enter into after the registration of which this prospectus is a part is effective. We have the authority under Florida law and our bylaws to indemnify our directors and officers against certain liabilities.

#### **Biographical Information About Our Directors And Executive Officers**

**David N. Fuselier** has been elected as a director, chairman and our Chief Executive Officer. We expect Mr. Fuselier to devote a substantial portion of his working time to our business and affairs. For the last fifteen years, Mr. Fuselier has been the principal of Fuselier and Co., a private merchant banking firm engaged in corporate turnarounds. He is Chairman and Chief Executive Officer on a part-time basis of New Leaf Brands, Inc., a publicly traded company, beginning February 15, 2012. He is a graduate of Louisiana State University (MSJ) and Louisiana College (BA).

**Henry P. ("Hank") Hoffman** serves as our director, president and chief operating officer and has over twenty-five years of executive management experience in the transportation industry. Prior to joining IFCR, he was founder and President of SeaBridge Freight, a short sea intermodal barge business. Before joining SeaBridge, he was founder and Chairman of SiriCOMM, Inc., a wireless networking and applications service provider dedicated to the commercial trucking industry. He served as an officer in the United States Army for six years where he completed two successful command assignments. He earned a Bachelor of Science degree from the United States Military Academy, West Point, NY and an MBA from the University of Wisconsin, Oshkosh, WI.

**Jackson L. Morris** fills the statutory position of corporation secretary as a courtesy and incidental to his services as our independent corporate and securities counsel. He has served in these capacities with Integrated Freight since inception. Mr. Morris has been engaged in the private practice of law since 1982, maintaining his own practice in the Tampa Bay area since 1993. Mr. Morris focuses his practice in corporate, securities and business transaction law. Mr. Morris earned a B.A. degree in economics from Emory University in 1966, a J.D. degree from Emory University Law School in 1969 and an L.L.M. from Georgetown Law School in 1974.

**Joseph Sikora** serves as an outside director for the Company. Mr. Sikora is the long-time president of PIT Consulting, Inc., specializing in the power generation industry's engineering solutions. He is an engineer with over fifteen years of executive management experience in the power generation industry and has previous public company experience where he has a strong record for quality improvement and business growth. Sikora graduated from New York Maritime College with a Bachelors of Engineering in Marine Engineering with a Nuclear Power concentration. He will be appointed chairman of the Board's Compensation Committee.

#### **Audit Committee/Audit Committee Financial Expert**

The functions of an audit committee are currently carried out by our Board of Directors. Our Board of Directors has determined that we do not have an audit committee financial expert on our Board of Directors. As we do not currently compensate our Directors, we have been unable to attract a person who qualifies as a financial expert to serve on our Board of Directors. We do not have an audit committee or an audit committee financial expert.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

We believe that none of our directors, officers and beneficial owners of more than ten percent of our common stock has filed any reports required by Section 16(a) of the Exchange Act

#### **Code of Ethics**

Although our former board of directors approved a code of ethics for senior financial officers on October 7, 2002, as filed with our September 30, 2002 report on Form 10-KSB as Exhibit 99.3, our current board of directors has neither rescinded nor confirmed that code of ethics. The chairman has identified this matter as an action item for the next meeting of the directors.

## ITEM 11. EXECUTIVE COMPENSATION.

### Summary Compensation Table

The following table presents information about compensation we paid to our chief executive officer and each of our highest paid executive officers who have compensation exceeding \$100,000 per year, and list all capacities in which cash compensation was paid.

Name and principal position	Year	Salary	Bonus	Total
David N. Fuselier, Chief Executive Officer (1,2)	2015	\$ 177,867	-	\$ 177,867
	2014	150,000	97,500	247,500
Henry P. Hoffman, President and Chief Operating Officer(2)	2015	\$ 143,667	-	\$ 143,667
	2014	125,000	87,750	212,750

- (1) Mr. Fuselier was appointed CEO and Chairman effective August, 2012. Messrs. Smith and Morris resigned from our board of directors in August 2012 but continue to serve as officers of their respective employing subsidiary companies.
- (2) Neither Mr. Fuselier nor Mr. Hoffman received cash compensation in accordance with their employment agreements during FY2015. These amounts were accrued and a portion was paid in stock.

### Employment Agreements

We have employment agreements with the named executive officers identified in the following table.

Name	Began	Ends (1)	Annual Salary	Annual Increase	Bonus (2)	Other
David N. Fuselier	August 2, 2012	August 2017	\$ 150,000	5%	-	-
Henry P. Hoffman	July 3, 2012	July, 2014	\$ 125,000	5%	-	-

- (1) Subject to subsequent automatic annual renewals.
- (2) Eligible for discretionary bonuses, upon board review and approval. Annual bonus award based on the achievement of established financial goals as set forth annually by the Board. Our Board will research and establish an executive option pool, under which executives will be awarded a number of options to be determined to purchase shares of our common stock at an exercise price equal to the current market price (as defined) on the date of grant. The options will vest twenty percent on the date of grant and twenty percent on each subsequent anniversary date

Each employment agreement provides for payment of benefits, an automobile allowance, and an opportunity to earn a performance bonus.

On August 2, 2012, in connection with our employment of Mr. Fuselier, our board of directors approved a three-year consulting agreement with Fuselier Consulting LLC renewable for one year, to advise us and to execute on a corporate turnaround strategy. The compensation arrangement gives Fuselier the right to earn up to 13,330,000 shares of our common stock in 2012 and ten million shares thereafter annually through the term of the agreement. Under the terms of the consulting agreement, management of the two currently operating subsidiaries have full decision-making authority and operational control until such time as the personal guaranties by their respective management of their respective equipment financing are eliminated, which we have an obligation to accomplish as quickly as may be reasonable. On May 22, 2014, our Board voted unanimously to terminate the Fuselier Consulting agreement .

We have entered into a five-year employment agreement with Mr. Fuselier, which provides an initial annual base salary of \$175,000 with five percent annual increases, as reported on Form 8-K for the event date of August 2, 2012

We have entered into a five-year employment agreement with Mr. Hoffman, which provides an initial annual base salary of \$150,000 with five percent annual increases.



## Director Compensation

There was one outside director during this period and no director compensation was paid other than the issuance of two million shares of common stock. Directors who are also executive officers were not paid any compensation other than their executive salary compensation pursuant to their employment agreements.

## Compensation and Nominating Committees

We do not have compensation and nominating committees. These functions are provided by our full board of directors.

### *Shareholder communications.*

We do not have a process for security holders to send communications to our board of directors and, we have not made a determination that it is appropriate for us not to have such a process. Any shareholder communications addressed to the board or any director will be provided to all directors for consideration.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

### Beneficial Ownership of Common Stock of Principal Stockholders, Directors and Management as of March 31, 2015.

The principal holders of our common stock are set forth in the following table. These principal stockholders include:

- each of our directors and executive officers,
- our directors and executive officers as a group, and

We believe each of these persons has sole voting and investment power over the shares they own, unless otherwise noted. The address of our directors and executive officers is our address.

NAME OF BENEFICIAL OWNER	<u>NUMBER OF SHARES OWNED (1)</u>	<u>PERCENTAGE OF CLASS (2)</u>
David N. Fuselier (1)	103,348,558	22.7%
Henry P. Hoffman	59,630,086	13.1%
Jackson L. Morris	22,972,127	5.0%
All Officers and Directors As a Group (3 persons)	185,950,771	40.8%

(1) Includes 20,000,000 shares issued to Fuselier Consulting LLC, which is wholly owned by Mr. Fuselier.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

During the 2014 fiscal year, we did not enter into any transactions with our directors, executive officers and persons who own more than five percent of our common stock, or with their relatives and entities they control.

We do not anticipate entering into any future transactions with our directors, officers and affiliates apart from normal employment transactions.

Jackson L. Morris and T. Mark Morris are not related.

We had one independent director, Joseph Sikora, during the period

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

Aggregate fees billed by our principal independent registered public accounting firm for audits of the financial statements for the fiscal years indicated:

	<b>2015</b>	<b>2014</b>
Audit Fees	\$ 35,000	\$ 35,000
Audit-Related Fees(1)	-	-
Tax Fees	-	-
All Other Fees	-	-
<b>Total</b>	<b>\$ 35,000</b>	<b>\$ 35,000</b>

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
<b>3.1</b>	Articles of Domestication*
<b>3.2</b>	Articles of Incorporation*
<b>3.3</b>	Amended and Restated Bylaws*
<b>4.1</b>	Specimen Stock Certificate (not filed)
<b>21</b>	List of Subsidiaries*

\* Previously Filed

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Integrated Freight Corporation**

Date: July 14, 2015

By: /s/ David N. Fuselier

David N. Fuselier  
Principal Executive Officer and Principal  
Financial and Accounting Officer

**Signature and Name:**

**Capacity in which signed:**

**Date:**

/s/ David N. Fuselier

David N. Fuselier

Director, Chairman, Chief Executive  
Officer  
and Principal Accounting Officer

July 14, 2015

/s/ Henry P. Hoffman

Henry P. Hoffman

Director, President and Chief Operating  
Officer

July 14, 2015

**CONSOLIDATED FINANCIAL STATEMENTS OF  
INTEGRATED FREIGHT CORPORATION**

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**INTEGRATED FREIGHT CORPORATION**  
**Consolidated Balance Sheets**

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 131,290	\$ 35,818
Accounts receivables, net of allowance for doubtful accounts of \$50,000	2,701,874	2,426,976
Prepaid expenses and other assets	279,005	360,052
<b>Total current assets</b>	<u>3,112,169</u>	<u>2,822,846</u>
Property and equipment, net of accumulated depreciation	757,927	1,962,039
Intangible assets, net of accumulated amortization	-	-
<b>Total assets</b>	<u>\$ 3,870,096</u>	<u>\$ 4,784,885</u>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current liabilities:</b>		
Bank overdraft	\$ 112,180	\$ 266,042
Accounts payable	852,391	1,417,189
Accrued expenses and other liabilities	2,583,661	2,173,662
Other Liabilities	721,130	721,130
Line of credit	722,761	708,108
Notes payable - related parties	4,767,846	5,187,084
Current portion of notes payable	4,062,414	5,555,376
<b>Total current liabilities</b>	<u>13,822,384</u>	<u>16,028,591</u>
Derivative liability	3,634	8,874
Notes payable - related parties	-	-
Notes payable, net of current portion and debt discount	1,037,868	1,651,832
<b>Total long-term liabilities</b>	<u>1,041,502</u>	<u>1,660,706</u>
<b>Total liabilities</b>	14,863,886	17,689,297
<b>Stockholders' deficit:</b>		
Preferred stock, 390,000,000 shares authorized		
Series A, \$0.005 par value, 90,000,000 shares designated; 90,000,000 and 0 shares issued and outstanding at March 31, 2015 and 2014 respectively	450,000	-
Common stock, \$0.001 par value, 2,000,000,000 shares authorized, 455,653,044 and 260,524,221 shares issued and outstanding at March 31, 2015 and 2014 respectively	455,653	260,524
Additional paid-in capital	10,906,737	9,925,421
Accumulated deficit	(22,806,180)	(23,090,357)
<b>Total stockholders' deficit</b>	<u>(10,993,790)</u>	<u>(12,904,412)</u>
<b>Total liabilities and stockholders' deficit</b>	<u>\$ 3,870,096</u>	<u>\$ 4,784,885</u>

See notes to consolidated financial statements

**INTEGRATED FREIGHT CORPORATION**  
**Consolidated Statements of Operations**

	<b>Year Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenue</b>	\$ 18,970,809	\$ 20,166,312
<b>Operating Expenses</b>		
Rents and transportation	5,399,106	5,272,372
Wages, salaries and benefits	5,202,476	5,401,424
Fuel and fuel taxes	4,790,160	5,915,747
Insurance and claims	1,242,332	1,409,471
Operating taxes and licenses	338,795	251,219
Stock based compensation	289,200	121,924
General and administrative	1,273,151	1,297,183
Depreciation and amortization	526,910	926,622
<b>Total Operating Expenses</b>	19,062,130	20,595,962
<b>Income (Loss) from operations</b>	(91,321)	(429,650)
<b>Other Income (Expense)</b>		
Gain/(loss) on change of fair value of derivative liability	5,240	20,706
Interest	(963,457)	(1,380,289)
Other income (expense)	320,326	286,943
Gain on debt settlements	1,013,389	69,334
<b>Total Other Income (Expense)</b>	375,498	(1,003,306)
<b>Net Income (loss) before income taxes</b>	284,177	(1,432,956)
<b>Income tax expense</b>	-	-
<b>Net Income (loss)</b>	\$ 284,177	\$ (1,432,956)
<b>Net income (loss) per share</b>		
Basic	\$ 0.00	\$ (0.01)
Diluted	\$ 0.00	\$ (0.01)
<b>Weighted average shares outstanding</b>		
Basic	300,055,611	145,469,717
Diluted	361,215,031	145,469,717

See notes to consolidated financial statements.

**INTEGRATED FREIGHT CORPORATION**  
**Consolidated Statement of Changes in Stockholders' Deficit**  
**For the Year Ended March 31, 2015 and 2014**

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
<b>Balances – March 31, 2013</b>	-	\$ -	116,510,332	\$ 116,510	\$ 9,163,511	\$ (21,657,401)	\$(12,377,380)
Common stock issued for services			10,606,061	10,606	111,318		121,924
Common stock issued for accrued compensation			133,407,828	133,408	650,592		784,000
Net loss for the year ended March 31, 2014						(1,432,956)	(1,432,956)
<b>Balances – March 31, 2014</b>	-	\$ -	260,524,221	\$ 260,524	\$ 9,925,421	\$ (23,090,357)	\$(12,904,412)
Common stock issued for services			33,500,000	33,500	205,700		239,200
Common stock issued for accrued compensation			18,728,265	18,728	141,272		160,000
Common stock issued in debt settlements			8,023,529	8,024	96,282		104,306
Discounts on newly issued debt					70,000		70,000
Common stock issued in debt settlements			21,072,793	21,073	153,831		174,904
Warrants issued as part of debt settlements					10,953		10,953
Preferred stock issued in debt settlements	90,000,000	450,000			127,800		577,800
Warrants issued for services					50,000		50,000
Common stock issued in conversion of debt			113,804,236	113,804	125,478		239,282
Net income for the year ended March 31, 2015						284,177	284,177
<b>Balances – March 31, 2015</b>	<u>90,000,000</u>	<u>\$ 450,000</u>	<u>455,653,044</u>	<u>\$ 455,653</u>	<u>\$ 10,906,737</u>	<u>\$ (22,806,180)</u>	<u>\$(10,993,790)</u>

See notes to consolidated financial statements



**INTEGRATED FREIGHT CORPORATION**  
**Consolidated Statements of Cash Flows**

	Year Ended March 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net Income (loss)	\$ 284,177	\$ (1,432,956)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	526,910	926,622
Amortization of debt discount	56,665	-
Derivative (gain) loss	(5,240)	(20,706)
(Gain) on debt settlements	(1,013,389)	(69,334)
(Gain) on sale of assets	(179,976)	(232,740)
Stock based compensation	289,200	121,924
Increases/decreases in operating assets and liabilities		
Accounts receivable	(274,898)	612,300
Prepaid expenses and other assets	81,047	(8,199)
Accounts payable and accrued expense	1,074,079	467,633
<b>Net cash (used) in/provided by operating activities</b>	<b>838,575</b>	<b>364,544</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(9,271)	(53,915)
Proceeds from sale of assets	866,449	592,343
<b>Net cash (used) in/provided by investing activities</b>	<b>857,178</b>	<b>538,428</b>
<b>Cash flows from financing activities:</b>		
Repayments of notes payable	(1,732,934)	(1,053,582)
Proceeds from long term debt	132,653	104,999
<b>Net cash (used) in/provided by financing activities</b>	<b>(1,600,281)</b>	<b>(948,583)</b>
<b>Net change in cash</b>	<b>95,472</b>	<b>(45,611)</b>
<b>Cash, beginning of period</b>	<b>35,818</b>	<b>81,429</b>
<b>Cash, end of period</b>	<b>\$ 131,290</b>	<b>\$ 35,818</b>

See notes to consolidated financial statements.

**INTEGRATED FREIGHT CORPORATION**  
**Consolidated Statement of Cash Flows – (Continued)**

	<u>Year Ended</u> <u>March 31, 2015</u>	<u>Year Ended</u> <u>March 31, 2014</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Income taxes	\$ -	\$ -
Interest	\$ 743,867	\$ 599,688
<b>Schedule of noncash investing and financing transactions:</b>		
Common stock issued for accrued compensation	\$ 160,000	\$ 784,000
Assets acquired through new debt	\$ -	\$ 337,154
Common stock issued for conversion of debt	\$ 239,282	\$ -
Preferred stock issued for settlement of debt	\$ 577,800	-

See notes to consolidated financial statements

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

**Note 1 Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Business**

Integrated Freight Corporation, a Florida corporation, and subsidiaries (the "Company") is a niche motor freight carrier delivering dry, refrigerated and hazardous waste commodities throughout the United States and with corporate headquarters in Danbury, Connecticut. We have two operating subsidiaries, one located in Hamburg, Arkansas and the other located in Scotts Bluff, Nebraska. Through our two operating motor freight carriers, we provide truck load service throughout the forty-eight contiguous United States. As such, we provide long-haul, regional and local service to our customers. The Company is subject to regulation by the Department of Transportation and numerous state regulatory authorities.

**Principles of Consolidation**

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiaries as of March 31, 2015 and 2014. All material intercompany transactions have been eliminated.

We have the following wholly owned subsidiaries, during the periods indicated:

- Morris Transportation, Inc., an Arkansas corporation
- Smith Systems Transportation, Inc., a Nebraska corporation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position as of March 31, 2015 and 2014, and the results of operations and cash flows for the years ended March 31, 2015 and 2014.

**Subsequent Events**

The Company has evaluated subsequent events through July 13, 2015 to assess the need for potential recognition or disclosure in this report. Based upon this evaluation, management determined that all subsequent events that require recognition in the financial statements have been included.

**Use of Estimates**

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company had cash and cash equivalents of \$131,290 and \$35,818 at March 31, 2015 and 2014 respectively.

**Accounts Receivable**

Accounts receivable represent amounts due from customers in the ordinary course of business from sales. The Company uses the allowance method for recognizing bad debts. The Company specifically analyzes accounts receivable and historical bad debts, client credit-worthiness, current economic trends, and changes in our client payment terms and collection trends when evaluating the adequacy of an allowance for doubtful accounts. Any change in the assumptions used in analyzing a specific account receivable may result in additional allowance for doubtful accounts being recognized in the period in which the change occurs. When an account is deemed uncollectible, it is written off against the allowance. Accordingly, the Company has provided a \$50,000 allowance for uncollectible accounts as of March 31, 2015 and 2014.

The Company uses factoring agents with recourse. The accounts are maintained on the balance sheet until collected and an offsetting liability is recorded for monies received in advance of collections.

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation, including any write-up in value measured at the time of acquisition of operating subsidiaries. Depreciation of property and equipment is calculated on the straight-line method over the following estimated useful lives:

	<b>Years</b>
Buildings / improvements	20 – 40
Furniture and fixtures	3 – 5
Shop and service equipment	2 – 5
Tractors and trailers	5 – 9
Leasehold improvements	1 – 5

The Company expenses repairs and maintenance as incurred. The Company periodically reviews the reasonableness of its estimates regarding useful lives and salvage values for revenue equipment and other long-lived assets based upon, among other things, the Company's experience with similar assets, conditions in the used revenue equipment market, and prevailing industry practice. Salvage values are typically 15% to 20% for tractors and trailer equipment and consider any agreements with tractor suppliers for residual or trade-in values for certain new equipment. The Company capitalizes tires placed in service on new revenue equipment as a part of the equipment cost. Replacement tires and costs for recapping tires are expensed at the time the tires are placed in service. Gains and losses on the sale or other disposition of equipment are recognized at the time of the disposition.

**Intangible Assets**

The Company accounts for business combinations in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations*, which requires that the purchase method of accounting be used for all business combinations. ASC 805 requires intangible assets acquired in a business combination to be recognized and reported separately from goodwill.

Goodwill represents the cost of the acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. The Company assigns all the assets and liabilities of the acquired business, including goodwill, to reporting units in accordance with ASC 350, *Intangible – Goodwill and Other*. Our business combinations did not result in any goodwill as of March 31, 2015 and 2014.

The Company evaluates intangible assets for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets.

**Impairment of Long-lived Assets**

The Company evaluates the carrying value of its long-lived assets at least annually. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less costs to sell. There has been no impairment as of March 31, 2015 and 2014.

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

**Revenue Recognition**

The Company recognizes revenues on the date the shipments are delivered to the customer. Revenue includes transportation revenue, fuel surcharges, loading and unloading activities, equipment detention, and other accessorial services. Revenue is recorded on a gross basis, without deducting third party purchased transportation costs, as the Company acts as a principal with substantial risks as primary obligor.

**Advertising Costs**

The Company charges advertising costs to expense as incurred. During the years ended March 31, 2015 and 2014, advertising expense was \$7,271 and \$3,707, respectively.

**Derivative Liability**

The Company issued warrants to purchase the Company's common stock in connection with the issuance of common stock and convertible debt, which contain certain ratchet provisions that reduce the exercise price of the warrants or the conversion price in certain circumstances. Upon the Company's adoption of the Derivative and Hedging Topic of the FASB Accounting Standards Codification ("ASC 815") on January 1, 2009, the Company determined that the warrants and/or the conversion features with provisions that reduce the exercise price of the warrants did not qualify for a scope exception under ASC 815 as they were determined not to be indexed to the Company's stock as prescribed by ASC 815.

Derivatives are required to be recorded on the balance sheet at fair value (see Note 6). These derivatives, including embedded derivatives in the Company's structured borrowings, are separately valued and accounted for on the Company's balance sheet. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates. In addition, additional disclosures is required about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

**Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

**Fair Value of Financial Instruments**

The Company's financial instruments, including cash and cash equivalents, receivables, accounts payable and accrued liabilities and notes payable are carried at cost, which approximates their fair value, due to the relatively short maturity of these instruments.

The carrying value of the Company's long-term debt approximates fair value based on borrowing rates currently available to the Company for loans with similar terms.

Our derivative financial instruments, consisting of embedded conversion features in our convertible debt, which are required to be measured at fair value on a recurring basis under FASB ASC 815-15-25 or FASB ASC 815 as of March 31, 2015 and March 31, 2014, are all measured at fair value, using a Black-Scholes valuation model which approximates a binomial lattice valuation methodology utilizing Level 3 inputs. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Significant assumptions used in this model as of March 31, 2015 included a remaining expected life of 1 year, an expected dividend yield of zero, estimated volatility of 447%, and risk-free rates of return of approximately 1.37%. For the risk-free rates of return, we use the published yields on zero-coupon Treasury Securities with maturities consistent with the remaining term of the feature and volatility is based on a trucking company with characteristics comparable to our own.

The carrying amounts of cash, accounts receivable and accounts payable approximate fair value because of their short maturities. At March 31, 2015 and March 31, 2014, the Company had \$722,761 and \$708,108 outstanding under its revolving credit agreement, and \$9,868,128 and \$12,394,292, including \$4,767,846 and \$5,187,084 with related parties, outstanding under promissory notes with various lenders. The carrying amount of the revolving credit agreement approximates fair value as the rate of interest on the revolving credit facility approximate current market rates of interest for similar instruments with comparable maturities, and the interest rate is variable. The fair value of notes payable to various lenders is based on current rates at which the Company could borrow funds with similar remaining maturities.

**Income Taxes**

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations.

The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

**Stock-based Compensation**

The Company has adopted the fair value recognition provisions of ASC 505, *Equity* and ASC 718, *Compensation – Stock Compensation*, using the modified prospective application method. Stock-based compensation expense is measured at the grant date based on the value of the option or restricted stock and is recognized as expense, less expected forfeitures, over the requisite service period.

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

**Concentrations of Credit Risk**

Financial instruments with significant credit risk include cash. The Company deposits its cash with high quality financial institutions in amounts less than the federal insurance limit of \$250,000 in order to limit credit risk. As of March 31, 2015 and 2014, the Company's bank deposits did not exceed insured limits

**Claims Accruals**

Losses resulting from personal liability, physical damage, workers' compensation, and cargo loss and damage are covered by insurance subject to deductible, per occurrence. Losses resulting from uninsured claims are recognized when such losses are known and can be estimated. We estimate and accrue a liability for our share of ultimate settlements using all available information. We accrue for claims reported, as well as for claims incurred but not reported, based upon our past experience. Expenses depend on actual loss experience and changes in estimates of settlement amounts for open claims which have not been fully resolved. These accruals are based on our evaluation of the nature and severity of the claim and estimates of future claims development based on historical trends. Insurance and claims expense will vary based on the frequency and severity of claims and the premium expense. At March 31, 2015 and 2014, management estimated \$0 in claims accrual above insurance deductibles.

However, from time to time the various business units are subject to premium audits on workers compensation. When the results of these audits are available, the various business units record the additional premiums due when they are advised by the respective carriers. Such amounts are generally amortized over the following 12 months.

**Going Concern**

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Our continuation is dependent upon attaining and maintaining profitable operations and raising additional capital as needed. In this regard, we have raised additional capital through the debt and equity offerings noted above. We do, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. We plan to sell additional equity securities, debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The issuance of additional equity securities, including convertible debt securities, by us could result in a significant dilution in the equity interests of our current stockholders. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer. In such event, we will be forced to scale down or perhaps even cease our operations.

We have undertaken steps as part of a plan to improve operating results with the goal of sustaining our operations for the next twelve months and beyond. These steps include (a) raising additional capital and/or obtaining financing; (b) increasing our revenues and gross profits; and (c) reducing expenses. Additionally, we are implementing a strategy to bring us to financial stability, which is as follows:

- A significant portion of our short term debt is in the hands of our subsidiary managers who, under the right circumstances, we believe may be willing to rework terms and to lengthen the maturity dates, as they have in the past, if that becomes necessary, lessening the short term debt on our balance sheet.
- A significant amount of short term debt on our balance sheet is convertible into common shares which may eliminate a meaningful amount of debt from our balance sheet.
- We expect to continue to grow through acquisitions involving stock payments in lieu of cash. We expect this larger business base will give us an ever larger "platform" in order to more easily offset the corporate overhead and costs of being public.

You have no assurance that we will successfully accomplish these steps and it is uncertain whether we will achieve a profitable level of operations and/or obtain additional financing. You have no assurance that any additional financings will be available to us on satisfactory terms and conditions, if at all.

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

Our consolidated financial statements do not give effect to any adjustments which would be necessary should we be unable to continue as a going concern and therefore be required to realize our assets and discharge our current and potential liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

**Income (Loss) per Common Share**

Basic net loss per share excludes the impact of common stock equivalents. Diluted net income (loss) per share utilizes the average market price per share when applying the treasury stock method in determining common stock equivalents. As of March 31, 2015, there were 27,830,513 warrants outstanding, of which 20,000,000 were included in the calculation of net income (loss) per share-diluted because they were dilutive. In addition, the Company had convertible promissory notes that were also not included because they were dilutive.

**Effect of Recent Accounting Pronouncements**

The Company reviews new accounting standards as issued. No new standards had any material effect on these financial statements. The accounting pronouncements issued subsequent to the date of these financial statements that were considered significant by management were evaluated for the potential effect on these consolidated financial statements. Management does not believe any of the subsequent pronouncements will have a material effect on these consolidated financial statements as presented and does not anticipate the need for any future restatement of these consolidated financial statements because of the retro-active application of any accounting pronouncements issued subsequent to March 31, 2014 through the date these financial statements were issued.

**Note 2. Property and Equipment**

Property and equipment consist of the following at March 31, 2015:

	<u>IFC</u>	<u>Morris</u>	<u>Smith</u>	<u>Total</u>
Land, Buildings and Improvements	\$ -	\$ -	\$ 15,797	\$ 15,797
Tractors and Trailers	-	1,265,759	2,841,458	4,107,217
Vehicles	-	-	106,407	106,407
Furniture, Fixtures and Equipment	-	10,897	284,625	295,522
Less: accumulated depreciation	-	(709,462)	(3,057,554)	(3,767,016)
Total	<u>\$ -</u>	<u>\$ 567,194</u>	<u>\$ 190,733</u>	<u>\$ 757,927</u>

Depreciation expense totaled \$526,910 for the year ended March 31, 2015

Property and equipment consist of the following at March 31, 2014:

	<u>IFC</u>	<u>Morris</u>	<u>Smith</u>	<u>Total</u>
Land, Buildings and Improvements	\$ -	\$ 1,969	\$ 15,797	\$ 17,766
Tractors and Trailers	-	3,274,557	2,887,513	6,162,070
Vehicles	-	29,934	106,407	136,341
Furniture, Fixtures and Equipment	-	221,828	284,625	509,453
Less: accumulated depreciation	-	(1,742,790)	(3,117,801)	(4,860,591)
Total	<u>\$ -</u>	<u>\$ 1,785,498</u>	<u>\$ 176,541</u>	<u>\$ 1,962,039</u>

Depreciation expense totaled \$926,622 for the year ended March 31, 2014.



**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

**Note 3. Intangible Assets**

The Company purchased the stock of Morris and Smith in 2008, which resulted in the recognition of intangible assets. These intangible assets include the "employment and non-compete agreements" which are critical to the Company because of the management team's business intelligence and customer relationship value which is required to execute the Company's business plan. The intangibles also include their "company operating authority" and "customer lists."

The Company operating authorities are tied to their motor carrier numbers that are issued and monitored by the U.S. Department of Transportation (USDOT). The USDOT issues a rating to each company which has a direct impact on that company's ability to attract and maintain a stable customer base as well as reduce the Company's insurance costs, one of the most significant expenditures for freight companies. Morris and Smith have the DOT's highest rating, "Satisfactory," which provides the Company with significant value. The customer lists adds value to the Company by providing an established cliental with established rates as well as predictable freight volume.

These intangible are as follows:

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Employment and non-compete agreements	\$ 1,043,293	\$ 1,043,293
Company operating authority and customer lists	891,958	891,958
Total intangible assets	1,935,251	1,935,251
Less: accumulated amortization	(1,935,251)	(1,935,251)
Intangible assets, net	<u>\$ -</u>	<u>\$ -</u>

Amortization expense for the years ended March 31, 2015 and 2014 was \$0 and \$0 respectively.

**Note 4. Accrued Expenses**

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Accrued interest	\$ 1,671,480	\$ 1,851,592
Accrued officer compensation	248,333	80,000
Accrued payroll expenses	471,309	168,658
Accrued expenses - other	192,539	73,412
	<u>\$ 2,583,661</u>	<u>\$ 2,173,662</u>

**Note 5. Other liabilities**

At March 31, 2015 and 2014, other liabilities consist of three judgments totaling \$721,130 arising from prior litigation.

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

**Note 6. Line of Credit**

Morris Revolving Credit

At March 31, 2015 and March 31, 2014, Morris has \$ 722,761 and \$708,108 outstanding under a revolving credit line agreement that allows it to borrow up to a total of \$1,200,000. The line of credit is secured by accounts receivable, guaranteed by a previous owner. The applicable interest rate under this agreement is based on the Prime Rate, plus 3.5% with a floor of 4.00%.

**Note 7. Notes Payable**

Notes Payable owed by Morris consisted of the following:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Notes payable to GE Financial, payable in monthly installments ranging from \$2,999 to \$7,535 including interest, through April 2013, with interest rates ranging from 6.69% to 8.53%, secured by equipment	-	149,364
Notes payable to Wells Fargo Bank, payable in monthly installments ranging from \$569 to \$5,687 including interest, through March 2017, with interest rates ranging from 7.00% to 7.25%, secured by equipment	298,803	574,547
Note payable to Mack Financial Services, payable in monthly installments of \$8,359 including interest, through May 2016, with interest at 7.19% secured by equipment.	-	203,348
Note payable to Mack Financial Services, payable in monthly installments of \$2,105 including interest, through May 2016, with interest at 7.19% secured by equipment.	-	59,096
Notes payable to Volvo Financial Services, payable in monthly installments ranging from \$1,884 to \$6,408 including interest, through October 2016, with interest rates ranging from 7.00% to 7.50%, secured by equipment	266,344	859,337
<b>Totals</b>	<u>\$ 565,147</u>	<u>\$ 1,845,692</u>

Notes payable owed by Smith consisted of the following:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Notes payable to bank, payable in monthly installments of \$60,000 including interest, through December 2012, with interest at 9%, collateralized by substantially all of Smith assets	\$ 628,262	\$ 977,484
Notes payable to bank, payable in monthly installments including interest, through June 2011, with interest at 6.5%, collateralized by substantially all of Smith assets	1,392,754	1,447,753
Note payable to Ally, payable in monthly installments of \$599 including interest, through December 2015, with interest at 6%, secured by a vehicle.	4,707	11,503
Notes payable to John Deere, payable monthly including interest, secured by equipment	-	5,135
Unsecured, non-interest bearing note payable to Colorado Holdings Valley Bank, payable in monthly installments of \$5,000, through 2023.	701,570	701,570
<b>Total</b>	<u>\$ 2,727,293</u>	<u>\$ 3,143,445</u>

**INTEGRATED FREIGHT CORPORATION**  
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Notes payable owed by Integrated Freight Corporation consisted of the following:

	<u>March 31,</u> <u>2015</u>	<u>March 31,</u> <u>2014</u>
Various notes payable currently payable on demand. Interest rates ranging from 4.0% to 18%. Various warrants issued with an exercise price ranging between \$0.10 and \$0.50 per share. Various notes contain a conversion feature allowing the holder to convert the debt into shares of common stock at a strike price between \$0.30 and \$0.50 per share.	\$ 792,476	\$ 1,083,101
Note payable to a former related party, with interest at 12.00%, a default judgment has been awarded to the holder; the Company intends to comply with the judgment when funds are available.	-	45,115
Note payable to Robins Consulting, payable in quarterly installments of \$60,000, currently payable on demand, with interest at 7.50%, secured by 1,056,300 shares of Integrated Freight Corporation stock	572,500	572,500
Convertible promissory notes with an investment firm, simple interest of 8%, currently payable on demand, convertible at the option of the holder at prices as defined.	-	151,155
Original Issue Discount Senior Debenture with an investment firm, currently payable on demand, secured by equipment	343,200	343,200
Convertible note payable to Wall Street Angel Partners LLC dated August 16, 2012, bearing interest at 8%, currently payable on demand	23,000	23,000
Convertible promissory notes with an investment firm, non-interest bearing, currently payable on demand, convertible at the option of the holder at prices as defined.	40,000	-
Various convertible promissory notes dated November 5, 2014 totaling \$30,000, non-interest, with a maturity date of August 5, 2015, convertible at the option of the holder at prices as defined, net of unamortized discount of \$13,333	16,666	-
Convertible promissory note with an investment firm, dated March 11, 2015, interest at 8%, with a maturity date of March 11, 2016.	<u>20,000</u>	<u>-</u>
<b>Totals</b>	<u><u>\$ 1,807,842</u></u>	<u><u>\$ 2,218,071</u></u>

**Summary**

	<u>IFC</u>	<u>Morris</u>	<u>Smith</u>	<u>Total</u>
Current portion of notes payable & other	\$ 1,807,842	\$ 238,858	\$ 2,015,714	\$ 4,062,414
Notes payable, net of current portion	-	326,289	711,579	1,037,868
<b>Total as of March 31, 2015</b>	<u><u>\$ 1,807,842</u></u>	<u><u>\$ 565,147</u></u>	<u><u>\$ 2,727,293</u></u>	<u><u>\$ 5,100,282</u></u>

Principal maturities of long term debt for the next five years are as follows

	<u>Year Ending</u> <u>March 31,</u>	<u>Total</u>
	2016	\$ 4,062,414
	2017	344,619
	2018	138,768
	2019	83,464
	2020	38,742
	Thereafter	432,275
		<u><u>5,100,282</u></u>



**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

The Company valued the Notes Payable at their face value and calculated the beneficial conversion feature of the warrants using Black Scholes in deriving a discount that is being amortized over the term of the Notes as interest expense using a straight line method.

While there are no defaults of any obligations at the Company's two subsidiaries, the Company's parent company has a significant amount of its long-term obligations that are in default, and currently payable on demand. The Company is currently in negotiation with these debt holders and intends to extend the terms of the maturity dates or convert the debt into equity.

The Company has determined that the conversion features of the convertible notes and the warrants issued with the convertible debentures are embedded derivative instruments pursuant to ASC 815-40-05 "Derivatives and Hedging-Contracts in Entity's Own Equity" and ASC 815-10-05 "Derivatives and Hedging – Overall," the accounting treatment of these derivative financial instruments requires that the Company record the derivatives at their fair values as of the inception date of the note agreements and at fair value as of each subsequent balance sheet date as a liability. Any change in fair value is recorded as non-operating, non-cash income or expense at each balance sheet date.

The fair value of the derivative liability at March 31, 2015 and March 31, 2014 was \$3,634 and \$8,874, respectively and are reflected on the Consolidated Balance Sheets.

**Note 8. Related Party Notes Payable**

Notes payable owed by the Company to related parties are as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Various notes payable to related party with interest at 8%, currently payable on demand.	\$ 130,704	\$ 130,704
Collateralized Notes Payable currently payable on demand with interest at 9.9%, collateralized by equipment as defined.	639,276	645,276
Notes payable to related party, with interest of 8%, secured by all shares of Smith common stock, currently payable on demand	-	210,000
Notes payable to related party, with interest of 8%, secured by all shares of Morris common stock, currently payable on demand	-	195,000
Note payable to shareholder, with interest at 8.5%, due on demand.	130,325	171,563
Note payable to shareholder, with interest at 8.0%, due on demand.	40,176	40,176
Note payable to shareholder, with interest at 5.0%, due on demand.	81,750	48,750
Note payable to related party, with interest at 5.0%, principal and interest due on March 31, 2019.	<u>3,745,615</u>	<u>3,745,615</u>
<b>Total</b>	<u>\$ 4,767,846</u>	<u>\$ 5,187,084</u>

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

**Note 9. Income Taxes**

A reconciliation of U.S. statutory federal income tax rate to the effective rate follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
U.S. statutory federal rate, graduated	34.00%	34.00%
State income tax rate, net of Federal	3.6%	3.6%
Permanent book-tax differences	0%	0%
Net operating loss (NOL) for which no tax benefit was available.	<u>-37.6%</u>	<u>-37.6%</u>
Net tax rate	<u>0.00%</u>	<u>0.00%</u>

At March 31, 2015, deferred tax assets consisted of a net tax asset of approximately \$7,500,000, due to operating loss carry forwards of approximately \$20,000,000, which was fully allowed for, in the valuation allowance of \$7,500,000. The valuation allowance offsets the net deferred tax asset for which it was more likely than not that the deferred tax assets will not be realized. The change in the valuation allowance for the year ended March 31, 2015 as compared to March 31, 2014 totaled approximately \$500,000. The net operating loss carry forwards expire through the year 2035.

The valuation allowance will be evaluated at the end of each year, considering positive and negative evidence about whether the deferred tax asset will be realized. At that time, the allowance will either be increased or reduced; reduction could result in the complete elimination of the allowance if positive evidence indicates that the value of the deferred tax assets was no longer impaired and the allowance was no longer required.

**Note 10. Shareholders' Deficit**

*Preferred Stock*

In January, 2015, the Board approved an amendment to the Articles of Incorporation relative to its capital structure to create new classes of stock by authorizing Ninety Million (90,000,000) shares of Series A Preferred Stock with a par value of \$.005, and Three Hundred Million (300,000,000) shares of Preferred Stock with preferences to be determined by the board at a later date

In January, 2015, the Company issued 90,000,000 shares of Series A Preferred Stock in satisfaction of \$577,800 related party debt and accrued interest.

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

*Common Stock*

**Year Ended March 31, 2014**

In August, 2013, the Company issued 5,000,000 common shares for services.

In October, 2013, the Company issued 5,606,061 common shares for services

In December, 2013, the Company issued 60,000,000 common shares for accrued compensation to Officers of the Company. The shares were valued using a volume weighted average price of \$.004 per share

In February, 2014, the Company issued 73,407,828 common shares for accrued compensation to Officers of the Company. The shares were valued using a volume weighted average price of \$.007 per share

**Year Ended March 31, 2015**

In October, 2014, the Company issued 10,000,000 common shares for services.

In October, 2014, the Company issued 20,000,000 common shares to Fuselier Consulting in accordance with the terms of a consulting contract. The stock was valued at \$.0071 per share, its fair market value at the date of issuance

In November, 2014, the Company issued 13,500,000 common shares for services. The stock was valued at \$.0072 per share, its fair market value at the date of issuance

In November, 2014, the Company issued 8,728,265 common shares for accrued compensation to Officers of the Company. The shares were valued using a volume weighted average price of \$.017 per share

In December, 2015 the Company issued 8,023,529 common shares as part of a negotiated settlement on debt

In January, 2015, the Company issued 35,219,711 common shares in satisfaction of convertible debt

In January, 2015, the Company authorized 21,072,793 common shares as part of negotiated settlements on various debts. These shares were issued in May 2015.

In February, 2015, the Company issued 36,310,721 common shares in satisfaction of convertible debt

In February, 2015, the Company issued 2,050,000 common shares as part of a negotiated settlement on debt

In March, 2015, the Company issued 40,223,804 common shares in satisfaction of convertible debt

In March 2015, the Company issued ten year warrants to purchase 20,000,000 common shares, with an exercise price of \$.005, for services.

*Warrants to Purchase Common Stock*

The Company issued 21,320,006 and 0 new warrants to purchase Common Stock during the fiscal years ended March 31, 2015 and 2014 respectively.

The fair value for the warrants was estimated at the date of valuation using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	1.37%
Dividend yield	0.00%
Volatility factor	447.60%
Expected life	5-10 years

The relative fair value of warrants issued is calculated in accordance with ASC 470-20 , *Debt with Conversion and Other Options* .

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

A summary of the warrant balances outstanding for the year ended March 31, 2015 and 2014 is presented below:

	<b>&amp;</b> <b>Exercisable</b>	<b>Price</b>	<b>Term</b>
Balance, March 31, 2013	13,307,390	\$ 0.23	2 years
Granted	-	-	
Exercised	-	-	
Expired/Cancelled	<u>360,000</u>	0.23	N/A
Balance, March 31, 2014	12,947,390	\$ 0.23	2 years
Granted	21,320,006	0.008	-
Exercised	-	-	-
Expired/Cancelled	<u>6,436,883</u>	.23	N/A
Balance, March 31, 2015	<u><u>27,830,513</u></u>	\$ 0.156	2 years

As of March 31, 2015 and 2014, the number of warrants that were currently vested and expected to become vested was 27,830,513 and 12,947,390, respectively.

**Note 10. Commitments and Contingencies**

*Operating Leases*

At March 31, 2015 the Company operated from the corporate office of the Chief Executive Officer in Danbury, Connecticut at no charge to the Company. The value of this accommodation is deemed to be immaterial.

The Company leases approximately 15,000 square feet of office, and truck service space in Hamburg, Arkansas for the operations of Morris Transportation, Inc. by paying the mortgage payment on the property on a month to month basis.

The Company leases approximately 36,500 square feet of office, warehouse, and truck service space in Scotts Bluff, Nebraska from Colorado Holdings, a company controlled by Mr. Smith at a monthly rental of \$4,000 per month.

The Company has multiple leases for trucks and trailers at various rental rates. These leases are generally no longer than 5 years.

Total rent expense for the year ended March 31, 2015 was approximately \$1,427,968

The Company's commitments for minimum lease payments under these operating leases for the next five years as of March 31, 2015 are as follows:

Period ended March 31,	
2016	\$ 931,344
2017	931,344
2018	924,498
2019	794,544
2020	646,313



**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

*Employment Agreements*

From time to time since 2008, the Company has entered into several five year employment agreements with executives of the Company. In 2013, we committed to pay executives a total of \$275,000 per year, plus usual and customary benefits. The agreements also call for bonuses if the executives meet certain goals which are to be set by the board of directors annually.

*Consulting Agreements*

On August 3, 2012 our Board of Directors voted to engage Fuselier Consulting of Southbury, CT, as its strategic business consultant. Under terms of the agreement, Fuselier will consult with our management regarding the execution of our restructuring, Fuselier will be compensated with the issuance of our stock. The Board directed the Company to issue to Fuselier ten million shares of stock at signing and an additional two and a half million shares per quarter through the term of the agreement. This agreement was terminated in May 2014.

*Purchase Commitments*

The Company's purchase commitments for revenue equipment are always under negotiation and review. Upon execution of the purchase commitments, the Company anticipates that purchase commitments under contract will have a net purchase price of approximately \$1,000,000 to \$3,000,000 and are expected to be financed over an average of 4 to 7 years.

*Active litigation:*

As a lender to the Company and its subsidiaries, Hillair Capital Investments, LP partially funded the Company's acquisition of Cross Creek and a portion of the Company's working capital requirements in 2011 via two notes totaling \$339,660. Hillair initially sought \$1,200,000 in unspecified damages in New York State. In 2014, the Company settled with Hillair for \$400,000 payable \$100,000 down and \$300,000 pro rata over the subsequent three year period. Under the court order the Company became in default of the agreement by its terms. In the event of a default, Hillair's recovery is limited to \$450,000. The Company continues to discuss with Hillair an economic resolution of the matter and has reserved the full defaulted amount.

As a lender to the Company, Luberski, Inc. loaned the Company, via two Notes, \$400,000 in 2011. The Company defaulted on both loans and Luberski received a judgment against one of the Company's two subsidiaries. In 2015, the Company and Luberski actively negotiated the settlement of the outstanding balance. The Company has booked reserves equivalent to the debt outstanding plus interest and fees.

In 2012, Chapman and Associates sued the Company for fees related to their introduction of two acquired subsidiaries of the Company and received a judgment for the full amount of the suit. The Company has reserved \$900,000 relating to this debt and in 2015 participated in negotiations with Chapman to settle.

The Nutmeg Fortuna Fund litigation relates to the collection on a 2008 promissory note. The Company has reserved \$175,000 relating to this matter. In 2015 we continued to participate in negotiations with Nutmeg to settle.

In April 2012, the Company entered into a forbearance agreement with Michael S. DeSimone, former owner of Cross Creek Trucking, Inc. As part of the agreement we issued a confession of judgment to Mr. DeSimone in the amount of \$3,745,415 plus accrued interest. We agreed to pay \$5,000 per month commencing September 1, 2012 but are not currently in compliance with the agreement and are in negotiations to restructure the terms of the original agreement.

In January 2013 Robins Consulting, Inc. filed suit against us and our former CEO Paul Henley for \$572,000 in broker fees related to the acquisition of Cross Creek Trucking. We believe that Robins Consulting misrepresented the condition of Cross Creek in a material manner. The Company is aggressively defending this case, has filed counterclaims, and has prepared a lawsuit against Robins for damages in excess of one million dollars. The Company is in active negotiations to resolve this matter and has reserved \$572,000 against this contingent liability.

**INTEGRATED FREIGHT CORPORATION**  
**Notes to Consolidated Financial Statements**

*Litigation in the normal course of business*

We expect to be engaged in litigation from time to time in the normal course of our business as a motor freight carrier. Claims for worker's compensation, auto accident, general liability and cargo and property damage are routine occurrences in the motor transportation industry. We have programs and policies which are designed to minimize the events that result in such claims. We maintain insurance against workers' compensation, auto liability, general liability, cargo and property damage claims. We are responsible for deductible amounts up to \$3,000 per accident. We periodically evaluate and adjust our insurance and claims reserves to reflect our experience. Our workers' compensation claims are entirely covered by our insurance. Insurance carriers have raised premiums for many businesses, including truck transportation companies. As a result, our insurance and claims expense could increase, or we could raise our deductible when our policies are renewed. We believe that our policy of self-insuring up to set limits, together with our safety and loss prevention programs, are effective means of managing insurable costs.

*Claims and Assessments*

The Company is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the present knowledge of the facts and, in certain cases, opinions of outside counsel, the Company believes the resolution of these claims and pending litigation will not have a material adverse effect on our financial condition, our results of operations or our liquidity.

**Note 11. Related Party Transactions**

We have been paying the mortgage payments for Morris Transportation, Inc. to an unrelated lender on behalf of an entity controlled by Mr. Morris as rent without a formal lease and intend to purchase the property at fair market value, as determined by appraisal, which may require us to refinance the mortgage.

The Company rents a facility owned by Colorado Holdings, a company controlled by Mr. Smith. The annual rental rate is \$48,000.

**Note 12. Subsequent Events**

In April 2015, the Company issued 43,249,254 common shares in satisfaction of convertible debt.

In May 2015, the Company issued 35,945,000 common shares in satisfaction of convertible debt.

In May 2015, the Company issued 26,519,682 common shares for accrued compensation to Officers of the Company.

In May 2015, the Company issued 2,500,000 common shares for services.

In May 2015, the Company issued 35,945,000 common shares in satisfaction of convertible debt.

In June 2015, the Company issued 115,922,654 common shares in satisfaction of convertible debt.

In July 2015, the Company issued 36,544,188 common shares as part of a debt settlement.

