SEGMENTZ INC
Form 10QSB/A
May 21, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________.

Commission file number: 000-49606

Segmentz, Inc.

(Exact name of small business issuer as specified in its charter)

Delaware	**03-0450326**
(State or other jurisdiction of incorporation or organization)	**(I.R.S.Employer Identification no.)**

18302 Highwoods Preserve Parkway Suite 100

Tampa, FL 33647

(Address of principal executive offices, including zip code)

(813) 989-2232

(Registrant' s telephone number, including area code)

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section l2, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

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

The Registrant has 6,925,048 shares of its common stock issued and outstanding as of May 14, 2003

The Registrant has 1,188,819 shares of its preferred stock issued and outstanding as of May 14, 2003

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements

Segmentz, Inc.

Three Months Ended March 31, 2003 and 2002 (Unaudited)

Segmentz, Inc.

Financial Statements

Three Months Ended March 31, 2003 and 2002 (Unaudited)

Contents

Segmentz, Inc.

Balance Sheet

March 31, 2003 (Unaudited)

Assets	
Current assets:	
Cash and cash equivalents	$ 0
Accounts receivable, net of allowance of $159,301	2,721,279
Prepaid expenses and other current assets	649,800
Total current assets	3,371,079
Equipment, net of accumulated depreciation	189,537
Loans and advances	27,103
Other long term assets	168,018
	$ 3,755,737

Liabilities and Stockholders' Equity Current liabilities: Cash deficit
$ 70,675 Accounts payable
395,671 Accrued salaries and wages 19,170 Accrued
expenses, other 231,202 Obligation due under factoring
arrangement 1,464,569 Advances from shareholder
51,177 Total current liabilities
2,232,464 Long term loan
355,000Stockholders' equity: Convertible preferred stock, 10,000,000 shares Authorized, 1,188,819 shares issued and outstanding 1,188,819 Common stock, $.001 par value; 40,000,000 shares Authorized; 6,925,048 shares issued and outstanding
6,925 Additional paid-in capital 50,901 Stock
payable 60,000 Accumulated deficit
(138,372) Total stockholders' equity
1,168,273
$ 3,755,737

The accompanying notes are an integral part of the financial statements. 1

Segmentz, Inc.

Statements of Operations (Unaudited)

	Three Months Ended	
	March 31, 2003	March 31, 2002
Revenues: Operating revenue	$ 2,880,081	$ 2,146,631
Consulting and other revenue	7,641	3,749
	2,887,722	2,150,380
Expenses: Operating expenses	2,190,190	1,665,177
General and administrative expenses	502,737	361,843
Interest expense	10,453	
	2,703,380	2,027,020
Income before tax provision	184,342	123,360
Income tax provision	53,500	25,000
Net income	$ 130,842	$ 98,360
Basic earnings per common share	$ .02	$ .02
Basic weighted average common shares outstanding	6,797,847	6,502,913
Diluted earnings per common share	$ .02	$ .01
Diluted weighted average common shares outstanding	7,993,499	8,904,501

The accompanying notes are an integral part of the financial statements. 2

Segmentz, Inc.

Statement of Changes in Stockholders' Equity

Three Months Ended March 31, 2003 (Unaudited)

	Preferred Stock	
	Shares	Amount
Balance, December 31, 2002	1,188,819	$ 1,188,819

Series C Redeemable convertible preferred and common stock payable		
Issuance of stock		
Net income for the period		
Balance, March 31, 2003	1,188,819	$ 1,188,819

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

	Stock Payable	Additional	Earnings
Common Stock		Paid-In	(Accumulated

Shares Amount Preferred Common Capital Deficit) Total 6,752,913 $ 6,753 $ 13,820 $ 16,180 $ 2,847 $ (269,214) $ 959,205
18,000 18 46,180 (6,180) 37,427 77,445 154,135
154 (10,000) 10,627 781
130,842 130,842 6,925,048 $ 6,925 $ 60,000 $ 0 $ 50,901 ($ 138,372) $ 1,168,273

3

Segmentz, Inc.

Statements of Cash Flows (Unaudited)

	Three Months Ended March 31, 2003	2002
Operating activities		
Net income	$ 130,842	$ 98,360
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Provision for doubtful accounts receivable	22,658	23,928
Depreciation and amortization	21,526	24,934
Valuation on deferred tax asset	(15,600)	0
Non-cash expenses related to issuance of stock and warrants	10,453	0
Changes in:		
Accounts and other trade receivables	273,154	326,716
Prepaid expenses and other assets	(341,622)	51,907
Other receivables	27,988	0
Other assets	(125,426)	0
Changes in:		
Accounts payable	(310,736)	(196,608)
Accrued expenses	70,169	(80,059)
Accrued salaries	12,400	0
Total adjustments	(355,036)	150,818
Net cash provided (used) by operating activities	(224,194)	249,178
Investing activities		
Purchases of equipment		(5,727)
Loans, advances, and other receivables	(1,492)	(25,201)
Net cash used by investing activities	(1,492)	(30,928)
Financing activities		
Net obligations incurred under factoring arrangements	(244,528)	(248,331)
Proceeds from issuance of debt	355,000	238,902
Overdraft facility	70,675	0
Proceeds from issuance of equity	40,781	0
Net cash (used) provided by financing activities	221,928	(9,429)
Net increase in cash	(3,758)	208,821
Cash, beginning of period	3,758	39,489
Cash, end of period	$ 0	$ 248,310

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

Segmentz, Inc.

Notes to Financial Statements

Three Months Ended March 31, 2003 and 2002 (Unaudited)

1. Significant Accounting Principles

Basis of Presentation

In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of (a) the financial position at March 31, 2003, (b) the results of operations for the three month periods ended March 31, 2003 and 2002, and (c) cash flows for the three month periods ended March 31, 2003 and 2002, have been made.

The unaudited financial statements and notes are presented as permitted by Form 10-QSB. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying financial statements and notes should be read in conjunction with the audited financial statements and notes of the Company for the fiscal year ended December 31, 2002. The results of operations for the three month period ended March 31, 2003 are not necessarily indicative of those to be expected for the entire year.

Stock based compensation

In December 2002, FASB issued Statement of Financial Accounting Standards No. 148 (SFAS 148"), Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS 148 amends current disclosure requirements and requires prominent disclosures on both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement is effective for financial reports containing financials statements for interim periods beginning after December 15, 2002. The Company currently intends to continue to account for its stock-based compensation awards to employees and directors under the accounting prescribed by Accounting Principles Board No. 25.

The Company accounts for its stock option plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income and no stock-based compensation would be reflected in net income if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation. During the three months ended March 31, 2003 and 2002 there were no options granted under this plan.

Segmentz, Inc.

Notes to Financial Statements

Three Months Ended March 31, 2003 and 2002 (Unaudited)

2. Sale of Accounts Receivable

During the second quarter of 2002, the Company entered into an agreement, a copy of which is annexed hereto as exhibit " B" , with a factoring company to provide for the borrowing against eligible receivables of up to eighty percent (80%) of the face value of such receivables. The Company maintains any advances under this agreement as liabilities in its balance sheet and any receivables, net of allowances for losses, as assets. The borrowing against eligible receivables is not a true sale and the company keeps all balances due from customers net of allowances for doubtful accounts as assets and offsetting liabilities to reflect amounts advanced against such eligible receivables, pursuant to Statements of Financial Accounting Standards (" SFAS") No. 140 " Accounting for transfers and servicing of financial assets and extinguishment of liabilities," such amounts are not sold without recourse and therefore reported in accordance with provisions of applicable rules and guidelines.

3. Income Taxes

Income tax expense for the three months ended March 31, 2003 and 2002 is based on the Company' s estimate of the effective tax rate expected to be applicable for the full year. The effective tax rate of 29.0 percent for the three months ended March 31, 2003 differs from the statutory rate because of the effects of utilizing a net operating loss carryover and adjustments to the valuation allowance on deferred tax assets.

4. Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted EPS is similarly calculated, except that the denominator includes common shares that may be issued subject to existing rights with dilutive potential, except when their inclusion would be antidilutive.

5. Advance from Stockholder

Bryant Plastics, Inc., a stockholder of the Company, advanced $51,177 of cash, which is payable with 60 days prior written notice. This advance does not bear interest, and as of March 31, 2003, they have not made a demand for payment.

Segmentz, Inc.

Notes to Financial Statements

Three Months Ended March 31, 2003 and 2002 (Unaudited)

6. Loan Facilities

The Company has entered into several agreements with "accredited investors" that provide the Company with bridge loan debt on an interim basis. The debt ranges from twelve to eighteen months in term and provides for interest payments and warrant coverage, as well as conversion into Common Stock on terms that the Company believes to be favorable, ranging from $1.15-$1.50 per share.

7. Segment Information

Segment information has been prepared in accordance with SFAS No. 131, " Disclosure About Segments of an Enterprise and Related Information." The Company has two reportable segments: truck hauling brokering and warehouse operations. The segments were determined based on the types of services provided by each segment. The Company had only one reportable segment until the purchase of QLS in April 2001.

The brokering operations arrange truckload transportation with dedicated Company equipment, owner operator fleet, and extensive agent partners throughout 48 states.

The warehousing operation, acquired in 2001, has had no revenues for the period ended March 31, 2003, as its operations were moved to Evansville, IN as part of the Company' s initiative to provide services on a contract basis in this segment.

For the period ended March 31 2003, information regarding operations by segment was as follows:

	Trucking	Warehouse	Total
Revenue	$ 2,880,081	$ 0	$ 2,880,081
Other	$ 7,641	$ 0	$ 7,641
Depreciation	$ 3,428	$ 18,098	$ 21,526
Net (loss) income	$ 148,940	$ (18,098)	$ 130,842
Equipment, net of accumulated depreciation and amortization	$ 20,569	$ 168,968	$ 189,537

Segment assets	$ 3,395,487	$ 360,250	$ 3,755,737

For the period ended March 31 2002, information regarding operations by segment was as follows:

	Trucking	Warehouse	Total
Revenue	$ 1,176,633	$ 969,998	$ 2,146,631
Other	$ 3,749	$ 0	$ 3,749
Depreciation	$ 3,885	$ 21,049	$ 24,934
Net (loss) income	$ (90,891)	$ 214,251	$ 123,360
Equipment, net of accumulated depreciation and amortization	$ 35,676	$ 266,925	$ 302,601
Segment assets	$ 1,575,729	$ 429,352	$ 2,005,081

7

Item 2. Management's Discussion and Analysis or Plan of Operation.

Forward-Looking Statements. This Form 10-QSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-QSB which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), finding suitable merger or acquisition candidates, expansion and growth of the Company's business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results or developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties, general economic market and business conditions; the business opportunities (or lack thereof) that may be presented to and pursued by the Company; changes in laws or regulation; and other factors, most of which are beyond the control of the Company.

This Form 10-QSB contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," "will," or similar terms. These statements appear in a number of places in this filing and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting the Company's financial condition or results of operations for its limited history; (ii) the Company's business and growth strategies; and, (iii) the Company's financing plans. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that could adversely affect actual results and performance include, among others, the Company's limited operating history, potential fluctuations in quarterly operating results and expenses, government regulation, technology change and competition. Consequently, all of the forward-looking statements made in this Form 10-QSB are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

General

The Company markets five core services to over 1,000 customers, which are:

Truckload- The Company provides point-to-point and intermediate stop service for freight on a truckload basis, per mile.

Less-Than-Truckload (L-T-L)- The Company stages and consolidates smaller shipments on a L-T-L basis to provide time sensitive shipment of goods for customers shipping smaller average load sizes.

Air-freight forwarding- The Company provides local pickup and delivery through its agent relationships that enable it to provide niche shipment of parcels on an overnight or two day basis. It offers customers time schedules that are specialized and enable it to indirectly compete with regional and national air-freight providers.

Expedited Freight service- The Company delivers customized specialty service to customers on a tight or irregular time schedule that allows custom development of shipment sequences that offer enhanced position and pricing on an as-needed basis.

3PL Support service- Value proposition that consolidates the Company' s expertise, providing an end-to-end solution for customers on a contract basis to outsource freight and supply chain initiatives.

For the period ended March 31, 2003 compared to the period ended March 31, 2002.

Revenues increased approximately $737,342, or 34%, to approximately $2,887,722 for the period ended March 31, 2003, as compared to approximately $2,150,380 for the period ended March 31, 2002. This increase was primarily due to continued growth in all segments of the Company' s business and enhancement in the Company' s contract based freight and agency business offerings.

Costs of services provided, which consist primarily of payment for trucking services, fuel, insurance, sales, marketing, and general and administrative support increased by approximately $676,360, or 33%, to approximately $2,703,380 for the period ended March 31, 2003, as compared to approximately $2,027,020 for the period ended March 31, 2002. As a percentage of revenues Trucking and transport related services of fuel, insurance, sales and marketing are aggregated as cost of goods sold and amounted to approximately 76% of related revenues for the period ended March 31, 2003, as compared with approximately 77% for the period ended March 31, 2002, and general and administrative expenses remained unchanged at approximately 17% for the periods ended March 31, 2003 and 2002.

The Company realized income from continuing operations before provisions for income taxes of approximately $184,342 for the period ended March 31, 2003, compared with income from continuing operations before provisions for income taxes of approximately $123,360 for the period ended March 31, 2002.

The income tax provision was $53,500 and $25,000 for the three months ended March 31, 2003 and 2002, respectively. Differences between the effective tax rate used for 2003 and 2002, as compared to the U.S. federal statutory rate, are primarily due to permanent differences and adjustments to the deferred tax asset valuation allowance.

Basic earnings per share from continuing operations for the period ended March 31, 2003 was $.02, compared with $.02 for the period ended March 31, 2002. Diluted income per share from continuing operations for the period ended March 31, 2003, compared with the period ended March 31, 2002, increased approximately 100% to $.02 from $.01.

The Company entered into a term agreement in February 2003 that provides for dedicated delivery services (DDS) in Evansville, IN. as part of the Company' s continued expansion into contract based freight opportunities. The Company is to provide staging, processing, delivery and report integration from a regional cross-dock hub facility in Evansville, IN. to points in Indiana and surrounding areas on behalf of a national logistics service company for an international automobile manufacturing firm. The agreement terms provide for four years under which such services will be provided and for overhead expense allowances and fixed profit margins to ensure a mutual benefit to providing such services.

Critical Accounting Policies

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. Prior to October 2001, the date of the merger, the financial statements are those of Trans-Logistics, Inc., the only operating company at that time.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues

Operating revenues for truck brokerage services are recognized on the date the freight is delivered. Related costs of delivery of shipments in transit are accrued as incurred. Revenues from warehousing services are recognized as the services are performed.

Reclassifications

Certain reclassifications have been made in the 2002 financial statements to conform to the classifications used in 2003. These reclassifications had no effect on total assets, stockholders' equity, total cash flows, or net income.

Accounts Receivable

The Company extends credit to its various customers based on the customer's ability to pay. The Company provides for estimated losses on accounts receivable based on bad debt experience and a review of existing receivables. Based on management's review of accounts receivable and other receivables, an allowance for doubtful accounts of approximately $159,301 is considered necessary as of March 31, 2003 .

Deferred Tax Assets

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that included the enactment date.

Earnings Per Share Calculations

Basic EPS is calculated by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted EPS is similarly calculated, except that the denominator includes common shares that may be issued subject to existing rights with dilutive potential, except when their inclusion would be antidilutive.

Use of Estimates

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, notes receivable, accounts payable, and accrued expenses. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand. The fair value of the Company's debt is estimated based upon the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Contingent Liabilities

The Company is party to a number of legal actions, which are not material to operations pursuant to Item 301 of Regulation S-B

Stock Based Compensation

In December 2002, FASB issued Statement of Financial Accounting Standards No. 148 (SFAS 148"), *Accounting for Stock-Based Compensation-Transition and Disclosure.* SFAS 148 amends current disclosure requirements and requires prominent disclosures on both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement is effective for financial reports containing financials statements for interim periods beginning after December 15, 2002. The Company currently intends to continue to account for its stock-based compensation awards to employees and directors under the accounting prescribed by Accounting Principles Board No. 25.

The Company accounts for its stock option plan under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations. No stock-based employee compensation cost is reflected in net income and no stock-based compensation would be reflected in net income if the Company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation,* to stock-based employee compensation. During the three months ended March 31, 2003 and 2002 there were no options granted under this plan.

Liquidity and Capital Resources

The Company has a cash overdraft of approximately $70,675 at March 31, 2003, compared with a balance of $248,310 at March 31, 2002. This decrease of approximately $318,985 was primarily a result of the Company's continued expansion and requirements for additional capital and growth of agent revenues during the current and prior operating periods.

During the fiscal year ended December 31, 2002, the Company entered into a hybrid finance facility with Comdata, an industry leader in transportation finance, which provides for 80% advance rates against eligible Company receivables for up to 120 days. This facility provides the Company with continued ability to expand as Comdata' s size enables credit limits to expand as the eligible borrowing base expands. The Company estimates the cost of this facility to be approximately 15% annually. The Company continues to seek asset based credit facilities that would provide required funding at reduced costs. The Company had outstanding balances due to Comdata of $1,464,569 as of March 31, 2003.

The Company has embarked on upgrades to technology and support infrastructure that it believes will enhance cash flows by providing customers and customer service representatives with access to delivery information and documentation that will enable efficient collections of accounts receivable from customers. There is no assurance that we will be able to obtain financing on terms favorable to the Company or successfully implement infrastructure upgrades pursuant to our plans.

Our strategy is to continue to expand through acquisitions and internal development. We intend to seek, on a selective basis, acquisition of businesses that have product lines or services which complement and expand our existing services and product lines, and provide us with strategic distribution locations or attractive customer bases. Our ability to implement our growth will depend on a number of things, which may be beyond our control. Successful deployment of this strategy will be dependent on our ability to identify, consummate and assimilate such acquisitions on desirable economic terms. There can be no assurance that we will be successful in implementing our growth strategy. Our ability to implement our growth strategy will also be dependent upon obtaining adequate financing. We may not be able to obtain financing on favorable terms.

Item 3. Controls and Procedures.

(a) ***Evaluation of disclosure controls and procedures.*** Our chief executive officer and our chief financial officer, after evaluating the effectiveness of the Company' s " disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of a date (the " Evaluation Date") within 90 days before the filing date of this quarterly report, have concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and designed to ensure that material information relating to us and our consolidated subsidiaries would be made known to them by others within those entities.

(b) ***Changes in internal controls.*** There were no significant changes in our internal controls or to our knowledge, in other factors that could significantly affect our disclosure controls and procedures subsequent to the Evaluation Date.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company is involved in various civil actions as part of its normal course of business. The Company is not party to any litigation that is material to ongoing operations as defined in Item 301 of Regulation