

SEGMENTZ INC
Form 10QSB
November 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

Commission file number: 000-49606

Segmentz, Inc.

(Exact name of registrant as specified in its charter)

18302 Highwoods Preserve Parkway, Suite 210

Tampa, FL 33647

(Address of principal executive offices, including zip code)

(813) 989-2232

(Registrant's telephone number, including area code)

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the SECURITIES AND EXCHANGE ACT OF 1934

For the Quarterly period ended September 30, 2002

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

ACT OF 1934 for the transition period from to

Delaware

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

(State or other jurisdiction of

75-2928175

incorporation or organization)

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

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

Edgar Filing: SEGMENTZ INC - Form 10QSB

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of Securities under a plan confirmed by court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date:

The registrant has 6,502,913 shares of its common stock issued and outstanding as of September 30, 2002.

The registrant has 1,190,667 shares of its preferred stock issued and outstanding as of September 30, 2002.

Traditional Small Business Disclosure Format (check one) Yes No

Item 1. Financial Statements.

Financial Statements

Segmentz, Inc.

Three and Nine Months Ended September 30, 2002 and 2001 (Unaudited)

Segmentz, Inc.

Financial Statements

Three and Nine Months Ended September 30, 2002 and 2001 (Unaudited)

Contents

Financial Statements:

Contents

Balance Sheet	1
Statements of Operations	2
Statements of Changes in Stockholder's Equity	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8

Segmentz, Inc.

Balance Sheet

September 30, 2002 (Unaudited)

Assets

Current assets:

Cash and cash equivalents	;	\$ 70,974
Accounts receivable, net of allowance of \$40,092		1,705,867
Other receivables		169,550
Prepaid expenses and other current assets		157,371
Deferred Tax Asset		65,000
Total current assets		<u>2,168,762</u>

Equipment, net of accumulated depreciation	<u>242,913</u>
--	----------------

Other assets:

Note receivable, net of allowance of \$290,000	100,000
Other receivables	19,833
Loans and advances	<u>67,183</u>
Total other assets	<u>187,016</u>

\$ 2,598,691

Liabilities and Stockholder's Equity	Current liabilities: Accounts payable	
		\$ 1,016,537 Line of credit, related party
	other	263,902 Accrued expenses,
		20,917 Income tax payable
	arrangement	65,000 Obligation due under factoring
	liabilities	<u>339,486</u> Total current
		<u>1,755,842</u>
Stockholders' equity:	Convertible preferred stock; 10,000,000 shares authorized; 1,190,667 shares issued and outstanding	1,190,667 Common stock;
	\$.001 par value; 40,000,000 shares authorized; 6,502,913 shares issued and outstanding	6,503 Common Stock Payable
		10,000 Additional paid-in capital
		(6,403) Accumulated deficit
		<u>(357,918)</u> Total stockholder's equity
		<u>843,849</u>
		<u>\$ 2,598,691</u>

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

1

Segmentz, Inc.

Statements of Operations (Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept 30, 2002	Sept 30, 2001	Sept 30, 2002	Sept 30, 2001
Revenues: Operating revenue	\$ 2,207,782	\$ 3,241,880	\$ 6,077,057	\$
6,677,240 Consulting and other revenue	9,648	16,223	73,294	
<u>16,223</u>	<u>2,217,430</u>	<u>3,258,103</u>	<u>6,150,351</u>	
<u>6,693,463</u>				
Expenses: Operating expenses	1,736,559	2,361,609	4,685,204	
5,352,026 General and administrative expenses			<u>354,785</u>	<u>600,330</u>
<u>1,179,736</u>	<u>1,262,622</u>		<u>2,091,344</u>	<u>2,961,939</u>
<u>5,864,940</u>	<u>6,614,648</u>			
Income before taxes	126,086	296,164	285,411	78,815
Income tax expense		<u>19,200</u>		<u>19,200</u>
Net income	<u>\$ 126,086</u>	<u>\$ 276,964</u>	<u>\$ 285,411</u>	<u>\$ 59,615</u>
Basic earnings per common share		<u>\$.02</u>	<u>\$.04</u>	<u>\$.04</u>
<u>\$.01</u>				
Basic weighted average common shares outstanding			<u>6,502,913</u>	<u>6,502,913</u>
<u>6,502,913</u>	<u>6,502,913</u>			
Diluted earnings per common share		<u>\$.01</u>	<u>\$.04</u>	<u>\$.03</u>
<u>\$.01</u>				
Diluted weighted average common shares outstanding		<u>8,915,417</u>	<u>6,502,913</u>	<u>8,936,892</u>
<u>6,502,913</u>				

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

2

Segmentz, Inc.

Statements of Changes in Stockholder's Equity

Three and Nine Months Ended September 30, 2002 (Unaudited)

	Preferred Stock	
	<u>Shares</u>	<u>Amount</u>
Balance, December 31, 2001	1,200,794	\$ 1,200,794
Redemption of Preferred Stock	(10,127)	(10,127)
Sale of Common Stock		
Net income for the period		
Balance, September 30, 2002	<u>1,190,667</u>	<u>\$ 1,190,667</u>

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

		Additional Common			
Common Stock		Paid-In	Stock	Accumulated	
Shares	Amount	Capital	Payable	Deficit	Total

Edgar Filing: SEGMENTZ INC - Form 10QSB

6,502,913	\$ 6,503	\$ (6,403)	0	\$ (643,329)	\$ 557,565
					(10,127)
			10,000		10,000
			285,411	285,411	
6,502,913	\$ 6,503	\$ (6,403)	10,000	\$ (357,918)	\$ 842,849

3

Segmentz, Inc.

Statements of Cash Flows (Unaudited)

Edgar Filing: SEGMENTZ INC - Form 10QSB

Ended _____	Nine Months September 30, _____	
	2002	2001
income	\$ 285,411	\$ 59,615
(loss) to net cash(used) provided by operating activities:Bad debt expense		Adjustments to reconcile net income
	42,687	Depreciation and amortization
	67,680	34,716 Loss on Sale of Investment
		78,998 (receipt of marketable securities for services rendered)
(148,500)(Increase) decrease in: Accounts and other trade receivables		
(739,978) (1,666,067) Prepaid expenses and other assets		
9,340 (128,561) Increase (decrease) in:		
Accounts payable	392,860	634,227 Accounts payable to related party
	91,526	Accrued expenses
	126,197	21,452 Income taxes payable
	0	Total adjustments
	<u>78,021</u>	<u>(233,630)</u> Net cash provided (used) by operating activities
	<u>212,346</u>	<u>(450,979)</u>
Investing activities Purchases of equipment		12,037 (409,180) Loans,
advances, and other receivables		<u>(35,333)</u> Proceeds from sale of equipment
		69,502 Net cash used by
investing	<u>(23,296)</u>	<u>(339,678)</u>
Financing activities (Increase) decrease in net obligations incurred under factoring arrangements		
	(299,975)	587,268 Net borrowings on line of credit
	263,902	559,535 Proceeds from incurrence of long-term
debt		245,000 Proceeds from Issuance of Note
Payable		50,000 Proceeds from Sale of Common Stock
		10,000 Redemption of Preferred
Stock		(10,127) Net cash (used) provided by financing
activities	<u>(13,800)</u>	<u>1,391,803</u>
Net increase in cash		31,485 29,531
Cash, beginning of period		<u>39,489</u> <u>1,709</u>
Cash, end of period		<u>\$ 70,974</u> <u>\$ 31,240</u>

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

4

Segmentz, Inc.

Notes to Financial Statements

1. Basis of Presentation

In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair statement of (a) the results of operations for the three- and nine-month periods ended September 30, 2002 and 2001, (b) the financial position at September 30, 2002, and (c) cash flows for the nine-month periods ended September 30, 2002 and 2001, have been made. The financial information for the periods ended September 30, 2001 have not been reviewed by the Company's independent accountants.

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 Segmentz, Inc. (the "Company") for the fiscal year ended December 31, 2001. The results of operations for the three- and nine-month period ended September 30, 2002 are not necessarily indicative of those to be expected for the entire year.

2. Contingent Liabilities

The Company has been party to a lease in its Atlanta facility that it believed to be month-to-month pursuant to data provided by Logistics Management Resources, Inc. ("LMR"). In cooperation with LMR, the Company purchased the assets of Q Logistic Solutions, Inc. ("QLS") from bankruptcy and began utilizing the space in Forest Park, Georgia pursuant to providing logistic services for clients. The Company notified the landlord, IDI Services, Inc. ("IDI"), of its intentions to find smaller space and offered IDI an opportunity to provide a lesser facility size within the facility currently occupied by the Company. IDI informed the Company at that time that the Company was party to a lease arrangement that had previously not been disclosed or evidenced. IDI and the Company are engaged in discussions to resolve this misunderstanding in which the Company asserts that IDI accepted a letter of credit provided by LMR as inducement to enter into the lease with LMR, with whom the Company had an arrangement to vacate the premises of its month-to-month sublease on 30 days written notice. IDI's assertion included a variety of material issues, including a representation that the Company was a prime lease holder with an obligation through May 2006. The Company has secured legal counsel and continues to assert that any lease documents that exist suggesting the Company's prime tenancy are not authorized by the Company, its board, or officers as provided for in the Company's bylaws. The Company continues to defend its position in this matter and believes that it will reach an amicable settlement pursuant to this issue.

Segmentz, Inc.

Notes to Financial Statements

Three and Nine Months Ended September 30, 2002 and 2001 (Unaudited)

3. Sale of Accounts Receivable

During the first quarter of 2002, the Company entered into an agreement with a financing company to purchase certain receivables of the Company without recourse at a discount of nine percent, offset by a charge estimated to be one percent per ten days outstanding, after which any unused discount is refunded. The Company is treating this as a sales transaction in accordance with Statement of Financial Accounting Standards No. 140. The receivable is removed from the assets of the Company on the date of sale of the receivable in exchange for cash received.

4. Line of Credit and Related Party Transaction

As of December 31, 2001, the Company had entered into an agreement with a related party to provide a line of credit up to \$1.0 million. At December 31, 2001, that party agreed to convert its outstanding balance of \$773,896 to Series A preferred stock of the Company. The Company currently has up to \$300,000 available under the facility, of which, \$263,902 is outstanding as of September 30, 2002.

5. Income Taxes

Income tax expense for the three and nine months ended September 30, 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 37.5 percent for the three and nine months ended September 30, 2002 differs from the statutory rate because of the effects of utilizing a net operating loss carryover. During the three month period ended September 30, 2002, the Company incurred an estimated income tax liability of approximately \$65,000. The Company also recorded a deferred tax asset of \$65,000.

6. Earnings Per Share

Common stock equivalents in the three- and nine-month periods ended September 30, 2001 for basic and diluted earnings per share are the same as if there were no dilutive securities outstanding at September 30, 2001.

Segmentz, Inc.

Notes to Financial Statements

Three and Nine Months Ended September 30, 2002 and 2001 (Unaudited)

7. Subsequent Events

The Company increased its reserve as a potential offset against certain obligations due from LMRI against reserves held by the Company for this purpose. The remaining balances due are \$390,000 in connection with this obligation relating to the rescission of the transaction in fiscal 2001 to merge with LMRI. The Company believes the remaining balance will be satisfied prior to fiscal year end, but has reserved an additional \$65,000 against potential losses in connection with this balance due.

The Company was released by Murphy Surf Air, Inc., a client of the Company, from any liability pursuant to a civil suit filed naming the Company as a party pursuant to the Company's discussions to acquire Murphy Surf Air in fiscal 2001. The Company has subsequent to being released signed an agency agreement with Murphy Surf Air and an agreement to acquire certain of Murphy's assets in January 2003.

8. Bridge Funding

The Company received a commitment from an Investor to provide up to \$200,000 in bridge funding available upon demand to meet expansion needs until the Company completes the Private Placement of its equity that is currently underway. The Company pays 10% annual interest, payable in cash and 15% warrant coverage annually for any amounts extended under this facility. The Investor has additionally offered additional equity funding under terms and conditions to be agreed upon, to be closed in January 2003.

9. Segment Information

Segment information has been prepared in accordance with Statements of Financial Accounting Standards 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.

Segmentz, Inc.

Notes to Financial Statements

Three and Nine Months ended September 30, 2002 and 2001 (Unaudited)

9. Segment Information (continued)

The warehousing operation, acquired in 2001, offers warehouse locations in two facilities covering the east coast. The Company is attempting to expand to offer smaller satellite facilities to enable conduit and direct route trucking solutions on a contracted, dedicated route basis to larger clients.

		<u>Three Months Ended September 30, 2002</u>			
		<u>Trucking</u>	<u>Warehouse</u>	<u>Total</u>	
	Revenue	\$ 1,651,756	\$ 565,674	\$ 2,217,430	
	Other	\$ 9,648	\$ 0	\$ 9,648	
	Depreciation	\$ 5,115	\$ 21,049	\$ 67,060	Net (loss)
income	\$ 22,566	\$ 103,520	\$ 126,086		

Nine Months Ended September 30, 2002

Edgar Filing: SEGMENTZ INC - Form 10QSB

	Trucking	Warehouse	Total
Revenue	\$ 3,866,065	\$ 2,210,922	\$ 6,077,057
Other	\$ 73,294	\$ 0	\$ 73,294
Depreciation	\$ 12,885	\$ 54,175	\$ 67,060
Net (loss) income	\$ (293,859)	\$ 579,270	\$ 285,411
Equipment, net of accumulated depreciation	\$ 50,097	\$ 192,816	\$ 242,913
Segment assets	\$ 1,677,737	\$ 920,954	\$ 2,598,691

Nine Months Ended September 30, 2001

	Trucking	Warehouse	Total
Revenue	\$ 4,722,902	\$ 1,970,561	\$ 6,693,463
Net (loss) income	\$ (23,636)	\$ 83,251	\$ 59,615
Equipment	\$ 53,947	\$ 320,517	\$ 374,464
Segment assets	\$ 1,691,899	\$ 778,391	\$ 2,470,290

8

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

Plan of Operation.

The Company completed its third consecutive profitable quarter, while closing its warehouse facility in Atlanta, GA . The Company will continue to expand its warehouse segment by seeking small staging and storage facilities that provide low fixed cost burden and offer value added components to the transportation services which it offers. The Company signed an agency relationship with Murphy Surf Air, starting in the third quarter, that provides for continued opportunity in the warehouse segment, as well as the opportunity to build regional niche services in air freight forwarding.

The Company continues to develop and implement its suite of transportation, brokerage, agent and business operational service tools to empower its partners and clients to success in the trucking and transportation business. The Company has segued its business away from its client concentrations in the warehousing segment and will expand this segment offering a suite of value added services that combine forwarding, staging and supply-chain management initiatives with its transportation service offerings. The Company is redeploying the capital removed from this segment through closing the NJ facility relationship into the transportation brokerage and agent support sections of its business and expects a continual growth in those area as a consequent.

The Company currently has credit facilities with Yankton Factors and Riviera Finance of \$1,000,000 each and continues to negotiate with asset based lenders to consolidate borrowings at more favorable market rates. The Company will devote resources towards consolidation of borrowings that are more cost effective and that provide the Company with adequate room for continued growth. The Company believes the current facilities provide adequate capital for continued operations in the event it cannot secure alternative funding in accordance with these efforts. The Company intends to

Edgar Filing: SEGMENTZ INC - Form 10QSB

Cash and cash equivalents were approximately \$70,974 at September 30, 2002, compared with \$31,240 at September 30, 2001. This increase of approximately \$39,734 was primarily a result of the Company's cash flow management initiatives and aggressive methods focused on building cash reserves and short term liquidity. The Company believes it has enough cash on hand to continue to operate for the next twelve months without outside capital but continues to seek equity capital to enable it to reduce borrowing costs and expand its markets pursuant to its plans, and has closed on the first \$100,000, of an interim bridge funding which provides unsecured funding on a demand basis over the next twelve months..

Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements. This Form 10-QSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 27A of the Securities Exchange Act of 1934.

General

Through its subsidiaries, the Company operates in three inter-related areas of the logistics support service and transportation business:

Warehousing -- The Company provides onsite labor, computer technology, equipment, facilities and management to clients to fulfill their warehousing needs.

Trucking -- The Company provides point to point delivery of goods for clients on a truckload and less than truckload (LTL) basis.

Broker, Agent & Owner/Operator Services -- The Company provides direct connection to software products that allow brokers, agents and owner/operators to manage their business.

For the period ended September 30, 2002 compared to the period ended September 30, 2001.

Revenues decreased approximately \$1,040,673, or 32%, to approximately \$ 2,217,430 for the period ended September 30, 2002, as compared to approximately \$3,258,103 for the period ended September 30, 2001. This decrease was primarily due to closure of the New Jersey warehouse facility, combined with delay to redeploying the resources supporting the NJ facility into the expansion related to other business opportunities.

Costs of services provided, which consist primarily of payment for trucking services, fuel, insurance, sales, marketing and general and administrative support decreased by approximately \$870,595, or 30%, to approximately \$2,091,344 for the period ended September 30, 2002, as compared to approximately \$2,961,939 for the period ended September 30, 2001, primarily due to offsetting reductions in corresponding sales for the period end.

The Company realized income from continuing operations before provisions for income taxes of approximately \$126,086 for the period ended September 30, 2002, compared with income from continuing operations before provisions for income taxes of approximately \$296,164 for the period ended September 30, 2001.

The Company's earned income per share from continuing operations for the period ended September 30, 2002 decreased by two cent per share to \$.02 per share, as compared to \$.04 per share for the same period in 2001.

For the nine month period ended September 30, 2002 compared to the nine month period ended September 30, 2001.

Revenues decreased approximately \$543,112, or 8%, to approximately \$6,150,351 for the nine month period ended September 30, 2002, as compared to approximately \$6,693,463 for the nine month period ended September 30, 2001. This decrease was primarily due to reduction of sales in the warehouse segment in accordance with Management's efforts to segue from the concentrations and fixed cost burden associated with the Q Logistics warehouses in Atlanta and Edison, NJ to smaller facilities that provide value added staging services that support the Company's transportation and logistics initiatives.

Costs of services provided, which consist primarily of payment for trucking services, fuel, insurance, sales, marketing and general and administrative support decreased by approximately \$749,708, or 12%, to approximately \$5,864,940 for the period ended September 30, 2002, as compared to approximately \$6,614,648 for the period ended September 30, 2001, primarily due to management's aggressive campaign to reduce fixed expenses and to ensure profitability measured as a percentage of gross sales, as well as development of pricing and delivery models that enhance consistency in pricing and costs.

The Company realized income from continuing operations before provisions for income taxes of approximately \$285,411 for the nine month period ended September 30, 2002, compared with income from continuing operations before provisions for income taxes of approximately \$78,815 for the nine month period ended September 30, 2001.

Edgar Filing: SEGMENTZ INC - Form 10QSB

The Company's earned income per share from continuing operations for the nine month period ended September 30, 2002 increased by three cent per share to \$.04 per share, as compared to earned income of \$.01 per share for the same period in 2001.

Revenue for the Trucking segment of our business decreased approximately \$856,857 from \$4,722,902 for the nine month period ended September 30, 2001 to \$3,866,065 for the nine month period ended September 30, 2002. This decrease was primarily due to a shift from a blending of warehouse and trucking segments to a focus on trucking, which requires available capital from the warehouse segment of the Company's business to be redeployed.

Revenue for the Warehouse segment of our business was \$2,210,922 for the nine month period ended September 30, 2002 compared with \$1,970,561 for the nine month period ended September 30, 2001, primarily due to reduction in the large warehouse segment we had acquired consequential to the acquisition of the Q-logistics assets in 2001, combined with the initiation of the freight forwarding small warehouse segment that is core to our expansion in 2002.

Revenue Recognition

The Company operates tractors and trailers, which may be owned by the Company or provided by independent owner-operators, for clients that ship products throughout North America. The Company has insurance and requisite authorities, licenses and permits that enable it to haul various types of freight for third parties on an as-needed basis. The Company recognizes revenues in this line of its business that are directly tied to the relationship between the Company, its customers and third parties who, from time to time, may fulfill transportation requirements. When the Company has a client and a load to ship, and a third party trucking company provides fulfillment for that load, the Company bills the client directly for the gross value of trucking services. In cases where the Company refers a client to a third party company who provides trucking services, the Company would act as a broker in such transactions and would be paid by the fulfillment firm a commission. The Company only reports "income" as such definitions apply and has provided trucking service and brokered services throughout the past fiscal year.

Contingent Liabilities

The Company has been party to a lease in its Atlanta facility that it believed to be month-to-month pursuant to data provided by LMR. In cooperation with LMR, the Company purchased the assets of Q Logistics from bankruptcy and began utilizing the space in Forest Park, Georgia pursuant to providing logistic services for clients. The Company notified the landlord, IDI Services, Inc. ("IDI"), of its intentions to find smaller space and offered IDI an opportunity to provide a lesser facility size within the facility currently occupied by the Company. IDI informed the Company at that time that the Company was party to a lease arrangement that had previously not been disclosed or evidenced. IDI and the Company are engaged in discussions to resolve this misunderstanding in which the Company asserts that IDI accepted a letter of credit provided by LMR as inducement to enter into the lease with LMR with whom the Company had an arrangement to vacate the premises of its month-to-month sublease on 30 days written notice. IDI's assertion included a variety of material issues, including a representation that the Company was a prime lease holder with an obligation through May 2006. The Company has secured legal counsel and continues to assert that any lease documents that exist suggesting the Company's prime tenancy are not authorized by the Company, its board, or officers as provided for in the Company's bylaws. The Company continues to defend its position in this matter and believes that it will reach an amicable settlement pursuant to this issue. The matter was dismissed in Atlanta, GA based on venue and no liability is currently due in connection with this matter.

The Company has been dismissed by Murphy Surf Air from all liabilities in connection with civil actions that were filed in Kentucky.

Liquidity and Capital Resources

Cash and cash equivalents were approximately \$70,974 at September 30, 2002, compared with \$31,240 at September 30, 2001. This increase of approximately \$39,734 was primarily a result of the Company's cash flow management initiatives and aggressive methods focused on building cash reserves and short term liquidity.

During the fiscal year ended December 31, 2001, the Company entered into a \$1,000,000 factoring facility with Yankton Factors that provides for 97.5% advance rate against eligible receivables defined as those receivables which are likely to be paid to the Company within ninety days from the invoicing for services, this facility bears interest of 2.5% for up to 75 days of credit and is estimated to have an annual cost of approximately prime rate plus eighteen percent to the Company. The facility is currently unsecured and has outstanding balances due of \$221,661 as of period ended September 30, 2002. In February 2002, the Company entered into a \$1,000,000, factoring facility with Riviera Finance that provides for sale of eligible receivables without recourse with regards to credit and collections. The Company sells receivables to Riviera at a discount to their face value and does not collect or assume credit risk consequential to this sale. The Company has subsequent to the period ended September 30, 2002, entered into a revolving credit facility with Comdata that will replace its other credit facilities. This provides for advance of 90% of eligible accounts receivable for 2% of face value for up to ninety days, which based upon the current average receivable

Edgar Filing: SEGMENTZ INC - Form 10QSB

aging of 48 days equates to a cost of 17% annually.

The Company has embarked upon an aggressive campaign to manage cash that has resulted in greater anticipated levels of cash available for operations which it believes will be adequate to fund operations and financial requirements in the next fiscal year. At December 31, 2001, the Company arranged for the conversion of debt due to related parties to preferred equities. It is in discussion with the provider of the credit facility to convert remaining balances to an equity class and will continue to seek such conversion from preferred equity classes to common equity classes in the near future.

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

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of such evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As of September 30, 2002, the Company has secured dismissal of the action filed against it by Industrial Property Fund I, LP based upon jurisdiction and venue. The Company continues to have discussion regarding this matter and continues to asset a month-to-month tenancy existed under which the Company has no ongoing or residual liability. No remedy is being sought against the Company at this time in connection with this matter.

The Company was released by Murphy Surf Air from obligations or civil remedies sought in an action filed in Kentucky in July 2002. The Company has no liabilities with respect to this action.

Item 2. Changes in Securities.

The Company promised to issue 30,000 shares of its Common Stock pursuant to private placements completed under Rule 144 of the Securities and Exchange Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

The Company is not in default in any Senior Securities or material obligations.

Item 4. Submission of Matters to a vote of Security Holders.

Item 5. Other Information.

There is no information to report for the period ended September 30, 2002.

Item 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

None

(b) REPORTS ON FORM 8-K

None

SIGNATURES.

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEGMENTZ, INC.

By: /s/ Allan J. Marshall
Chief Executive Officer

By: /s/ John S. Flynn
Chief Financial Officer

Date: November 14, 2002

CERTIFICATIONS

I, Allan J. Marshall, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Segmentz, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

Edgar Filing: SEGMENTZ INC - Form 10QSB

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 14, 2002 By: /s/ Allan J. Marshall

Allan J. Marshall
Chief Executive Officer