

SEGMENTZ INC
Form 10QSB/A
July 18, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the Quarterly period ended March 31, 2002

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.

(Name of Small Business Issuer in Its Charter)

Delaware

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

(State or other jurisdiction of

75-2928175

incorporation or organization)

18302 Highwoods Preserve Parkway, Suite 210

33647

Tampa, Florida

(Address of Principal Executive Offices)

(Zip Code)

(813) 989-2232

(Issuer's Telephone Number, Including Area Code)

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/A

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 March 31, 2002.

The registrant has 1,200,794 shares of its preferred stock issued and outstanding as of March 31, 2002.

Traditional Small Business Disclosure Format (check one) Yes No

Item 1. Financial Statements.

Financial Statements

Segmentz, Inc.

Three Months Ended March 31, 2002 and 2001 (Unaudited)

Segmentz, Inc.

Financial Statements

Three Months Ended March 31, 2002 and 2001 (Unaudited)

Contents

Financial Statements:

Contents

Edgar Filing: SEGMENTZ INC - Form 10QSB/A

Balance Sheet..... 1

Statements of Operations..... 2

Statements of Changes in Stockholders' Equity..... 3

Statements of Cash Flows..... 4

Notes to Financial Statements..... 5-7

Segmentz, Inc.

Balance Sheet

March 31, 2002 (Unaudited)

Assets

Current assets:

| | |
|---|----------------|
| Cash and cash equivalents | \$ 248,310 |
| Accounts receivable, net of allowance of \$45,000 | 657,932 |
| Other receivables | 57,728 |
| Prepaid expenses and other current assets | <u>191,626</u> |

| | |
|----------------------|------------------|
| Total current assets | <u>1,155,596</u> |
|----------------------|------------------|

| | |
|--|----------------|
| Equipment, net of accumulated depreciation | <u>302,601</u> |
|--|----------------|

Other assets:

| | |
|--|---------------|
| Note receivable, net of allowance of \$225,000 | 200,000 |
| Other receivables, net of allowance of \$200,000 | 64,833 |
| Loans and advances | <u>57,051</u> |

| | |
|--------------------|----------------|
| Total other assets | <u>321,884</u> |
|--------------------|----------------|

\$ 1,780,081

Liabilities and Stockholders Equity

Current liabilities:

| | |
|------------------|------------|
| Accounts payable | \$ 427,069 |
|------------------|------------|

Assets

Edgar Filing: SEGMENTZ INC - Form 10QSB/A

| | |
|---|---------------------|
| Line of credit | 238,902 |
| Accrued salaries and wages | 15,305 |
| Accrued expenses, other | 26,750 |
| Income tax payable | 25,000 |
| Obligation due under factoring arrangement | <u>391,130</u> |
| Total current liabilities | <u>1,124,156</u> |
| Stockholders' equity: | |
| Convertible preferred stock; 10,000,000 shares authorized; 1,200,794 shares issued and outstanding | 1,200,794 |
| Common stock; \$.001 par value; 40,000,000 shares authorized; 6,502,913 shares issued and outstanding | 6,503 |
| Additional paid-in capital | (6,403) |
| Accumulated deficit | <u>(544,969)</u> |
| Total stockholders' equity | <u>655,925</u> |
| | <u>\$ 1,780,081</u> |

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

1

Segmentz, Inc.

Statements of Operations (Unaudited)

| | <u>Three Months Ended</u> | |
|-------------------------------------|---------------------------|------------------|
| | March 31, | March 31, |
| | <u>2002</u> | <u>2001</u> |
| Revenues: | | |
| Operating revenue | \$ 2,146,631 | \$ 1,705,349 |
| Consulting and other revenue | <u>3,749</u> | <u>340</u> |
| | <u>2,150,380</u> | <u>1,705,689</u> |
| Expenses: | | |
| Operating expenses | 1,665,177 | 1,447,364 |
| General and administrative expenses | <u>361,843</u> | <u>114,102</u> |
| | <u>2,027,020</u> | <u>1,561,466</u> |
| Income before taxes | 123,360 | 144,223 |
| Income tax expense | <u>25,000</u> | <u>44,800</u> |

Assets

Edgar Filing: SEGMENTZ INC - Form 10QSB/A

| | | | | |
|--|----|------------------|----|------------------|
| Net income | \$ | <u>98,360</u> | \$ | <u>99,423</u> |
| Basic earnings per common share | | <u>\$.02</u> | | <u>\$.02</u> |
| Basic weighted average common shares outstanding | | <u>6,502,913</u> | | <u>6,502,913</u> |
| Diluted earnings per common share | | <u>\$.01</u> | | <u>\$.02</u> |
| Diluted weighted average common shares outstanding | | <u>8,904,501</u> | | <u>6,502,913</u> |

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

2

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

| <u>Common Stock</u> | | Additional | Accumulated | |
|---------------------|-----------------|-------------------|---------------------|-------------------|
| <u>Shares</u> | <u>Amount</u> | <u>Paid-In</u> | <u>Deficit</u> | <u>Total</u> |
| | | <u>Capital</u> | | |
| 6,502,913 | \$ 6,503 | \$ (6,403) | \$ (643,329) | \$ 557,565 |
| | | | 98,360 | 98,360 |
| <u>6,502,913</u> | <u>\$ 6,503</u> | <u>\$ (6,403)</u> | <u>\$ (544,969)</u> | <u>\$ 655,925</u> |

Segmentz, Inc.

Statements of Cash Flows (Unaudited)

| | Three Months Ended | |
|---|--------------------|------------------|
| | <u>March 31,</u> | |
| | <u>2002</u> | <u>2001</u> |
| Operating activities | | |
| Net income | \$ 98,360 | \$ 99,423 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Bad debt expense | 23,928 | |
| Depreciation and amortization | 24,934 | 6,467 |
| (Increase) decrease in: | | |
| Accounts and other trade receivables | 326,716 | (682,314) |
| Prepaid expenses and other assets | 51,907 | (67,092) |
| Increase (decrease) in: | | |
| Accounts payable | (196,608) | (49,753) |
| Accounts payable to related party | | (5,028) |
| Accrued expenses | (105,059) | 220,107 |
| Income taxes payable | <u>25,000</u> | <u>44,800</u> |
| Total adjustments | <u>150,818</u> | <u>(532,813)</u> |
| Net cash provided (used) by operating activities | <u>249,178</u> | <u>(433,390)</u> |

Investing activities

| | | |
|--|-----------------|----------------|
| Purchases of equipment | (5,727) | (3,096) |
| Loans, advances, and other receivables | <u>(25,201)</u> | |
| Net cash used by investing activities | <u>(30,928)</u> | <u>(3,096)</u> |

Financing activities

| | | |
|---|----------------|----------------|
| Net obligations incurred under factoring arrangements | (248,331) | 481,202 |
| Proceeds from issuance of debt | <u>238,902</u> | |
| Net cash (used) provided by financing activities | <u>(9,429)</u> | <u>481,202</u> |

Net increase in cash 208,821 44,716

Cash, beginning of period 39,489 1,709

Cash, end of period \$ 248,310 \$ 46,425

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

Segmentz, Inc.

Notes to Financial Statements

Three Months Ended March 31, 2002 and 2001 (Unaudited)

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-month periods ended March 31, 2002 and 2001, (b) the financial position at March 31, 2002, and (c) cash flows for the three-month periods ended March 31, 2002 and 2001, 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, 2001. The results of operations for the three-month period ended March 31, 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 LMR. In cooperation with LMR, the Company purchased the assets of 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.

On June 17, 2002, the Company received a summons from Industrial Property Fund I, LP that named the Company as a co-defendant in a civil action pursuant to the Company's tenancy in Forest Park, GA., which the Company continues to assert and claim is a month-to-month tenancy under which the Company has no obligation other than payment of rent when due. No remedy is being sought against the Company at this time relating to this civil action.

Segmentz, Inc.

Notes to Financial Statements

Three Months Ended March 31, 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 rate estimated to be one percent per ten days outstanding. 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, and the reserve is held until the receivable is paid to the purchaser (at which time, the remaining balance due to the Company, if any, is paid).

4. Line of Credit

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 \$250,000 available under the facility, of which \$238,902 is outstanding as of March 31, 2002.

5. Income Taxes

Income tax expense for the three months ended March 31, 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 months ended March 31, 2002 differs from the statutory rate because of the effects of utilizing a net operating loss carryover.

6. Earnings Per Share

Common stock equivalents in the three-month period ended March 31, 2001 for basic and diluted earnings per share are the same as there were no dilutive securities outstanding at March 31, 2001.

Segmentz, Inc.

Notes to Financial Statements

Three Months Ended March 31, 2002 and 2001 (Unaudited)

7. 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.

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 March 31, 2002</u> | | |
|-------------------------------|--|------------------|--------------|
| | <u>Trucking</u> | <u>Warehouse</u> | <u>Total</u> |
| Revenue | \$ 1,176,633 | \$ 969,997 | \$ 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 | \$ 35,676 | \$ 266,925 | \$ 302,601 |
| Segment assets | \$ 1,350,729 | \$ 429,352 | \$ 1,780,081 |

Edgar Filing: SEGMENTZ INC - Form 10QSB/A

| | <u>Three Months Ended March 31, 2001</u> | | |
|----------------|--|------------------|--------------|
| | <u>Trucking</u> | <u>Warehouse</u> | <u>Total</u> |
| Revenue | \$ 1,705,394 | \$ 0 | \$ 1,705,349 |
| Other | \$ 340 | \$ 0 | \$ 340 |
| Net income | \$ 99,423 | \$ 0 | \$ 99,423 |
| Equipment | \$ 3,060 | \$ 0 | \$ 3,060 |
| Segment assets | \$ 1,322,553 | \$ 0 | \$ 1,322,553 |

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

The Company is focusing resources that will enable delivery of a suite of transportation brokerage, agent and business operational services to various partners and existing clients over the next fiscal year. The Company will continue to examine all segments of its business and all existing client relationships to ensure that operations continue to achieve profitability and stable growth.

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 has increased its short term capital ratios from last fiscal year ended December 31, 2001 to period ended March 31, 2002 to mitigate cash flow concerns and short term capital requirements. It has negotiated more reasonable terms with significant third party service providers and secured better payment terms with its major customers. The Company had, at period ended March 31, 2002, \$248,310 of cash and cash equivalents compared with \$39,489 at fiscal year ended December 31, 2001. 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.

The Company plans to consolidate and reduce its warehouse facility size in Atlanta, GA to correspond with anticipated needs and its model to operate facilities at or near capacity. In connection with this reduction in space, the Company is selling materials and equipment that are not needed in connection with the delivery of warehouse services to its major clients. The Company has booked gains on the sale of equipment, in connection with its facility expansion in Edison, NJ, and may realize additional gain on sale in connection with the facility reduction in Atlanta, GA. The sale of equipment will enhance short term capital ratios as the Company converts some long term assets into cash and equivalents.

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, 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

Edgar Filing: SEGMENTZ INC - Form 10QSB/A

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, technological 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

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 third party logistics service requirements of those clients.

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 independent owner/operators to provide captive and near-captive fulfillment services for trucking clients. The Company also provides advance funding and fuel funding to enable these third party providers to expand their business operations and to increase margins within the trucking segment of the Company's business.

For the period ended March 31, 2002 compared to the period ended March 31, 2001.

Revenues increased approximately \$444,691, or 26%, to approximately \$2,150,380 for the period ended March 31, 2002 as compared to approximately \$1,705,689 for the period ended March 31, 2001. This increase was primarily due to (i) addition of the warehouse segment of our business and; (ii) expansion of the business client base and services offered.

Revenue for the Trucking segment of our business decreased approximately \$528,761 from \$1,705,394 for the period ended March 31, 2001 to \$1,176,633 for the period ended March 31, 2002. This decrease was primarily due to management strategies to focus on profitable niche business relationships and reduce related overhead to build long term growth in all segments and stricter credit qualifications for clients in this segment that have resulted from historically slow payment histories amongst larger transportation clients.

Revenue for the Warehouse segment of our business was \$969,997 for the period ended March 31, 2002 compared with \$0 for the period ended March 31, 2001. The purchase of Q Logistics from bankruptcy enabled the Company to build a profitable entry to this sector of the third party logistics support business and the Company continues to focus on profitable segments of this business and the relationship between this segment and transportation services and trucking.

Costs of services provided, which consist primarily of payment for trucking services, fuel, insurance, sales, marketing and general and administrative support increased by approximately \$465,554, or 29.8%, to approximately \$2,027,020 for the period ended March 31, 2002, as compared to approximately \$1,561,466 for the period ended March 31, 2001. 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 77.44% of related revenues for the period ended March 31, 2002, as compared with 84.8% for the period ended March 31, 2001, and general and administrative expenses increased from 6.7% of gross revenues for the period ended March 31, 2001 to 16.8% of gross revenues for the period ended March 31, 2002.

Gross margin increased by approximately \$226,878, or 88%, to approximately \$485,203 for the period ended March 31, 2002, as compared to approximately \$258,325 for the period ended March 31, 2001. This increase is primarily attributable to offering various services and building value added propositions that were more profitable, as well as to cost management and budgeting by management that resulted in enhanced trends in gross profit margins.

Edgar Filing: SEGMENTZ INC - Form 10QSB/A

Selling, general and administrative expenses increased by approximately \$247,741 or 217%, to approximately \$361,843 for the period ended March 31, 2002, up from approximately \$114,102 for the period ended March 31, 2001. This increase was in large part due to: (i) costs incurred as a result of being a public company; (ii) increased size of administration associated with two segments of business and; (iii) additional costs resulting from size increases.

The Company realized income from continuing operations before provisions for income taxes of approximately \$123,360 for the period ended March 31, 2002, compared with income from continuing operations before provisions for income taxes of approximately \$144,223 for the period ended March 31, 2001.

Although the Company has tax loss carryforward from earlier periods, GAAP accounting requires a provision for taxes of \$25,000 for the period ended March 31, 2002, leaving net profits of \$98,360 compared with net profits after provisions for income taxes of \$99,423 from the period ended March 31, 2001, while diluted income per share from continuing operations for the period ended March 31, 2002 decreased by one cent per share to \$.01 per share, as compared to \$.02 per share for the same period in 2001.

Liquidity and Capital Resources

Cash and cash equivalents were approximately \$248,310 at March 31, 2002, compared with \$39,489 at December 31, 2001. This increase of approximately \$208,821 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 \$391,130 as of period ended March 31, 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 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.

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.

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

Edgar Filing: SEGMENTZ INC - Form 10QSB/A

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.

On June 17, 2002, the Company received a summons from Industrial Property Fund I, LP that named the Company as a co-defendant in a civil action pursuant to the Company's tenancy in Forest Park, GA., which the Company continues to assert and claim is a month-to-month tenancy under which the Company has no obligation other than payment of rent when due. No remedy is being sought against the Company at this time relating to this civil action.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 17, 2002, the Company received a summons from Industrial Property Fund I, LP that named the Company as a co-defendant in a civil action pursuant to the Company's tenancy in Forest Park, GA., which the Company continues to assert and claim is a month-to-month tenancy under which the Company has no obligation other than payment of rent when due. No remedy is being sought against the Company at this time relating to this civil action.

Item 2. Changes in Securities.

The Company did not issue new equity securities in the period ended March 31, 2002.

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 March 31, 2002.

Item 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

None

(b) REPORTS ON FORM 8-K

On March 8, 2002, the Company filed Form 8-K to advise of a change in accounting firm from Valiente, Hernandez P.A. to Pender, Newkirk & Company.

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

Date: June 19, 2002