

EXPRESS-1 EXPEDITED SOLUTIONS INC

Form 10-Q

November 14, 2006

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

Form 10-Q

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly period ended September 30, 2006
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**
For the transition period from to

Commission file number

Express-1 Expedited Solutions, Inc.

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

Delaware

*(State or other jurisdiction of
incorporation or organization)*

03-0450326

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

429 Post Road

P.O. Box 210

Buchanan, MI 49107

(Address of Principal Executive Offices)

(269) 695-4920

(Issuer's Telephone Number, Including Area Code)

Not Applicable

(former name or former address, if changed from since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

The Registrant has 26,516,037 shares of its common stock issued and 26,336,037 shares outstanding as of November 06, 2006.

Express-1 Expedited Solutions, Inc.

Form 10-Q

Three Months and Nine Months Ended September 30, 2006 and 2005

(Unaudited)

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Certification of Chief Executive Officer Pursuant to Section 302

Certification of Chief Financial Officer Pursuant to Section 302

Certification of Chief Executive Officer Pursuant to Section 906

Certification of Chief Financial Officer Pursuant to Section 906

Certification of Chief Executive Officer Pursuant to Section 302

Certification of Chief Financial Officer Pursuant to Section 302

Certification of Chief Executive Officer Pursuant to Section 906

Certification of Chief Financial Officer Pursuant to Section 906

Table of Contents**Part I Financial Information****Express-1 Expedited Solutions, Inc.****Consolidated Balance Sheets****As of September 30, 2006 and December 31, 2005****(Unaudited)**

	September 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 129,000	\$ 386,000
Accounts receivable, net of allowances of \$573,000 and \$732,000, respectively	5,662,000	4,434,000
Prepaid expenses	229,000	326,000
Other current assets	76,000	77,000
Deferred tax asset, current	500,000	500,000
Total current assets	6,596,000	5,723,000
Property and equipment, net of accumulated depreciation	2,468,000	2,229,000
Goodwill	3,567,000	3,567,000
Identified intangible assets, net of accumulated amortization	4,305,000	4,629,000
Loans and advances	153,000	439,000
Deferred tax asset, long term	1,504,000	1,504,000
Other long term assets	419,000	363,000
	\$ 19,012,000	\$ 18,454,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 685,000	\$ 924,000
Accrued salaries and wages	422,000	397,000
Accrued expenses, other	1,412,000	2,721,000
Current maturities of long term debt	177,000	242,000
Other current liabilities	191,000	97,000
Total current liabilities	2,887,000	4,381,000
Line of credit	2,265,000	1,764,000
Notes payable and capital leases, net of current maturities	94,000	824,000
Other long-term liabilities	91,000	199,000

Total long-term liabilities	2,450,000	2,787,000
Stockholders equity:		
Preferred stock, \$.001 par value; 10,000,000 shares no shares issued or outstanding		
Common stock, \$.001 par value; 100,000,000 shares authorized; 26,466,037 and 26,465,034 shares issued and 26,286,037 and 26,285,034 shares outstanding, respectively	26,000	26,000
Additional paid-in capital	20,391,000	20,312,000
Accumulated deficit	(6,635,000)	(8,945,000)
Treasury stock, at cost, 180,000 shares held	(107,000)	(107,000)
Total stockholders equity	13,675,000	11,286,000
	\$ 19,012,000	\$ 18,454,000

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

Table of Contents**Express-1 Expedited Solutions, Inc.****Consolidated Statements of Operations
(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	2006	2005	2006	2005
Revenues:				
Operating revenue	\$ 10,851,000	\$ 9,512,000	\$ 31,526,000	\$ 30,150,000
Expenses:				
Direct expenses	8,005,000	7,448,000	23,391,000	23,898,000
Gross profit	2,846,000	2,064,000	8,135,000	6,252,000
Sales, general and administrative expense	1,861,000	2,069,000	5,505,000	8,084,000
Restructuring, exit and consolidation expense		490,000		4,448,000
Total sales, general and administrative expense	1,861,000	2,559,000	5,505,000	12,532,000
Other expense	26,000		158,000	
Interest Expense	54,000	56,000	162,000	133,000
Income (loss) before income tax provision	905,000	(551,000)	2,310,000	(6,413,000)
Income tax (benefit) provision				
Net income (loss)	\$ 905,000	\$ (551,000)	\$ 2,310,000	\$ (6,413,000)
Basic income (loss) per common share	0.03	(0.02)	0.09	(0.24)
Basic weighted average common shares outstanding	26,285,241	26,385,577	26,285,104	26,605,712
Diluted income (loss) per common share	0.03	(0.02)	0.09	(0.24)
Diluted weighted average common shares outstanding	26,714,541	26,385,577	26,441,175	26,605,712

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

Table of Contents**Express-1 Expedited Solutions, Inc.****Consolidated Statements of Cash Flows
(Unaudited)**

	Nine Months Ended September 30,	
	2006	2005
Operating activities		
Net Income (loss) applicable to stockholders	\$ 2,310,000	\$ (6,413,000)
Adjustments to Reconcile Net Income (loss) to Net Cash from Operating Activities		
Provisions for allowance for doubtful accounts	(159,000)	138,000
Depreciation & amortization expense	749,000	1,175,000
Loss on retirement of note receivable	90,000	
Stock compensation expense	79,000	
Non-cash impairment of intangible assets	23,000	3,510,000
Unrealized gain on market value of trading stock		88,000
Loss on disposal of equipment	21,000	184,000
Non-cash expenses relate to the issuance of stock and warrants		81,000
Changes in Assets and Liabilities		
Account receivables	(1,069,000)	1,863,000
Other current assets	1,000	(90,000)
Prepaid expenses and other current assets	97,000	752,000
Other receivables	46,000	
Other long-term assets	(195,000)	(12,000)
Accounts payable	(239,000)	(1,241,000)
Accrued salaries and wages	25,000	(431,000)
Accrued expenses	401,000	550,000
Other liabilities	93,000	13,000
Cash provided by Operating Activities	2,273,000	167,000
Investing activities		
Payment of acquisition earn-out	(1,710,000)	(1,524,000)
Payment for purchases of property and equipment	(682,000)	(230,000)
Proceeds from sale of assets	6,000	481,000
Proceeds from loans and advances	150,000	89,000
Cash Flows used by Investing Activities	(2,236,000)	(1,184,000)
Financing activities		
Issuance of credit to buyers of Temple and Bullet		(400,000)
Credit line, net	(146,000)	1,338,000
Payments of debt	(148,000)	(344,000)
Purchase of treasury stock		(255,000)
Cash Flows (used) provided by Financing Activities	(294,000)	339,000

Net decrease in cash and cash equivalents	(257,000)	(678,000)
Cash and cash equivalents, beginning of period	386,000	854,000
Cash and cash equivalents, end of period	\$ 129,000	\$ 176,000
Supplemental disclosures of cash flow information and noncash investing and financing activities:		
Cash paid during the year for interest	\$ 158,000	\$ 123,000
Cash paid during the year for income taxes	\$	\$
Debt used to finance purchase of building	\$ 647,000	\$ 680,000

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

Table of Contents**Express-1 Expedited Solutions, Inc.**

Consolidated Statement of Changes in Stockholders' Equity
Nine Months Ended September 30, 2006
(Unaudited)

	Common Stock		Treasury Stock		Additional	Retained	
	Shares	Amount	Shares	Amount	Paid In	Earnings	Total
					Capital	(Deficit)	
Balance, December 31, 2005	26,465,034	\$ 26,000	(180,000)	\$ (107,000)	\$ 20,312,000	\$ (8,945,000)	\$ 11,286,000
Shares Issued	1,003						
Net income						2,310,000	2,310,000
Stock based compensation					79,000		79,000
Balance September 30, 2006	26,466,037	\$ 26,000	(180,000)	\$ (107,000)	\$ 20,391,000	\$ (6,635,000)	\$ 13,675,000

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

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Express-1 Expedited Solutions, Inc.

Notes to Consolidated Financial Statements

Express-1 Expedited Solutions, Inc.

Notes to Consolidated Financial Statements (Continued)
Three Months and Nine Months Ended September 30, 2006 and 2005
(Unaudited)

1. Significant Accounting Principles

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Express-1 Expedited Solutions, Inc. (formerly, Segmentz Inc.) (we , us , our or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and in accordance with the instructions to Form 10-Q. Certain information and footnote disclosures normally included in annual financial statements are omitted from these unaudited condensed consolidated financial statements because they are not considered necessary for a fair presentation of the financial position, results of operations, and cash flows of the Company for the periods presented. The Company's financial statements are prepared on the accrual basis of accounting and follow generally accepted accounting principles (GAAP) for companies in the United States.

Total liabilities

Net assets reflecting investments at fair value

1,996,720 1,913,133

Adjustment from fair value to contract value for fully benefit-responsive investment contracts

(86,687) (50,805)

Net assets

\$1,910,033 \$1,862,328

Ratio of year-end market value yield to investments, at fair value

2.34% 3.18%

Ratio of year-end crediting rate to investments, at fair value

3.90% 4.12%

The CCTs are valued at fair value using the net asset value as determined by the issuer based on the current fair values of the underlying assets of such trust. These CCTs are designed to be high quality fixed income portfolios appropriate for a conservative, moderate duration investment option. The CCTs invest in fixed income securities including but not limited to government-issued securities, mortgages, corporate bonds, structured securities including but not limited to asset-backed securities and mortgage-backed securities, and other CCTs that invest in fixed income securities. The CCTs may invest in derivatives, including but not limited to futures, options, forwards, swaps and mortgage derivatives. While it is intended for participating plans to generally receive liquidity from these CCTs in one to three business days, there are both market conditions and withdrawal sizes (as determined by the Trustee of the CCTs) that may extend this period. Withdrawals from the CCTs may be made upon at least ten business days advance written notice to the Trustee or such lesser period to which the Trustee may agree. Any withdrawal shall be valued as of the close of business on the day of or the day next succeeding the expiration of the notice period (the Valuation Date) and shall be effected within sixty days following such Valuation Date or such other time as may be agreed to by the

Trustee and the plan sponsor, provided that such withdrawal may be delayed if the Trustee determines that it cannot reasonably make such distribution on account of any order, directive or legal impediment by an official or agency of any government or any other cause reasonably beyond its control.

The STIF is valued at amortized cost, which approximates fair value. The U.S. Treasury notes are valued at market price plus accrued interest. The fair value of wrapper contracts is determined by calculating the present value of excess future wrap fees. When the replacement cost of the wrapper contract (a re-pricing provided annually by the contract issuer) is greater than the current wrap fee, the

difference is converted into the implied additional fee payment cash flows for the duration of the holding. The present value of that cash flow stream is calculated using a swap curve yield that is based on the duration of the holding, and adjusted for the holding's credit quality rating.

The significant components of the changes in net assets relating to the SVF are as follows:

	Thousands of Dollars
Year Ended December 31, 2010	
Contributions	\$ 60,943
Interest income (net)	74,619
Interfund transfers in	239,821
Distributions	(172,227)
Participant loans	(4,242)
Other additions	3
Other deductions	(12)
Interfund transfers out	(151,200)
Net increase	47,705
Beginning of year	1,862,328
End of year	\$ 1,910,033

In certain circumstances, the amount withdrawn from investment contracts would be payable at fair value rather than contract value. These events include, but are not limited to, termination of the Plan or SVF, a material adverse change to the provisions of the Plan, a decision by the administrators of the Plan to withdraw from or terminate an investment contract without securing a replacement contract, and in the event of a spin-off or sale of a division if the terms of a successor plan do not meet the investment contract issuer's underwriting criteria for issuance of a clone investment contract. However, the events described above are not probable of occurring in the foreseeable future.

Examples of events that would permit a contract issuer to terminate an investment contract upon short notice include the Plan's loss of its qualified tax status, un-cured material breaches of responsibilities, or material and adverse changes to the provisions of the Plan. If one of these occurred, the investment contract issuer could terminate the investment contract at fair value. The Plan Administrators do not anticipate any of these events are probable of occurrence.

The following tables set forth by level, within the fair value hierarchy, the SVF Master Trust's investment assets at fair value.

Thousands of Dollars				
Assets at Fair Value as of December 31, 2010				
	Level			
	1	Level 2	Level 3	Total
Common Collective Trusts:				
Multi-Mgr A or Better Interm.	\$	\$ 7,690	\$	\$ 7,690
Multi-Mgr Interm.		711,360		711,360
Multi-Mgr Core Fixed Income		303,396		303,396
Short term bond		930,501		930,501
Total Common Collective Trusts		1,952,947		1,952,947
Short-term investment fund		\$ 36,861		\$ 36,861
U.S. Treasury notes	5,552			5,552
Wrapper contracts			1,360	1,360
Total SVF Master Trust investment assets at fair value	\$ 5,552	\$ 1,989,808	\$ 1,360	\$ 1,996,720

Thousands of Dollars				
Assets at Fair Value as of December 31, 2009				
	Level			
	1	Level 2	Level 3	Total
Common Collective Trusts:				
Multi-Mgr A or Better Interm.	\$	\$ 18,448	\$	\$ 18,448
Multi-Mgr Interm.		678,381		678,381
Multi-Mgr Core Fixed Income		293,565		293,565
Short term bond		891,609		891,609
Total Common Collective Trusts		1,882,003		1,882,003
Short-term investment fund		\$ 24,879		\$ 24,879
U.S. Treasury notes	5,295			5,295
Wrapper contracts			956	956
Total SVF Master Trust investment assets at fair value	\$ 5,295	\$ 1,906,882	\$ 956	\$ 1,913,133

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the SVF Master Trust's level 3 investment assets for the year ended December 31, 2010:

Thousands of
Dollars
Wrapper contracts

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Balance, beginning of year	\$	956
Unrealized gains		404
Balance, end of year	\$	1,360

ConocoPhillips Stock Fund

The ConocoPhillips Stock Fund was comprised of Company Stock held in a master trust, the ConocoPhillips Stock Fund Master Trust. The Plan's share of ConocoPhillips Stock Fund Master Trust net assets was 100% as of December 31, 2009. As noted above, the investments held within the ConocoPhillips Stock Fund Master Trust were effectively transferred to the Plan following close of business on December 31, 2009.

The ConocoPhillips Stock Fund values as of December 31, 2010, and December 31, 2009, were as follows:

At December 31	Thousands of Dollars	
	2010	2009
ConocoPhillips Stock Fund*	\$	\$ 2,255,554

* Amounts classified as Level 1 within the fair value hierarchy.

DuPont Stock Fund

The DuPont Stock Fund was comprised of DuPont stock held in a master trust, the DuPont Stock Fund Master Trust. The Plan's share of DuPont Stock Fund Master Trust net assets was 100% as of December 31, 2009. As noted above, the investments held within the DuPont Stock Fund Master Trust were effectively transferred to the Plan following the close of business on December 31, 2009.

The DuPont Stock Fund values as of December 31, 2010, and December 31, 2009, were as follows:

At December 31	Thousands of Dollars	
	2010	2009
DuPont Stock Fund*	\$	\$ 65,568

* Amounts classified as Level 1 within the fair value hierarchy.

Note 11 Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits as of December 31, 2010 and 2009, as reflected in these financial statements, to the amounts reflected in the Plan's Form 5500:

	Thousands of Dollars	
	2010	2009
Net assets available for benefits as reported in the financial statements	\$ 9,365,780	\$ 7,960,036
Adjustment from contract value to fair value for certain fully benefit-responsive investment contracts	86,687	50,805
Net assets available for benefits as reported in the Form 5500	\$ 9,452,467	\$ 8,010,841

The following is a reconciliation of net increase for the year ended December 31, 2010, as reflected in these financial statements, to the amounts reflected in the Plan's Form 5500:

	Thousands of Dollars
Year Ended December 31, 2010	
Net increase as reported in the financial statements	\$ 1,405,744
Adjustment from contract value to fair value for certain fully benefit-responsive investment contracts at December 31, 2010	86,687
Reverse adjustment from contract value to fair value for certain fully benefit-responsive investment contracts at December 31, 2009	(50,805)
Net income as reported in the Form 5500	\$ 1,441,626

Schedule H, Line 4i
Schedule of Assets (Held at End of Year)

ConocoPhillips Savings Plan
EIN 73-0400345, Plan 022

At December 31, 2010

(a)(b) Identity of issue borrower, lessor Current or similar party Value	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Thousands of Dollars Historical Cost	(e)
* ConocoPhillips	15,688,664 shares, Leveraged Stock Fund	\$ **	\$ 1,068,398
* ConocoPhillips	3,385,778 shares, Loan 2 Suspense	47,824	230,571
* ConocoPhillips	43,761,183 shares, Common Stock Fund	**	2,980,137
DuPont	1,797,339 shares, Stock Fund	**	89,651
Fidelity Investments	1,946,279 units, Fidelity Low-Priced Stock Fund	**	74,698
Fidelity Investments	1,177,363 units, Fidelity Magellan Fund	**	84,382
	10,950,791 units, PIMCO Total Return Fund		
PIMCO Funds	Administrative Class	**	118,816
* The Vanguard Group	2,294,860 units, Vanguard Balanced Index Fund Inst	**	49,064
	803,969 units, Vanguard Asset Allocation Fund	**	19,657
	8,738,627 units, Vanguard Infla-Protected Sec Inst	**	90,882
	1,168,611 units, Vanguard Explorer Fund Inv	**	85,192
	2,936,630 units, Vanguard Vanguard Inst Index Fund	**	337,742

Schedule H, Line 4i
Schedule of Assets (Held at End of Year)

ConocoPhillips Savings Plan
EIN 73-0400345, Plan 022

At December 31, 2010

(a)(b) Identity of issue borrower, lessor Current or similar party Value	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Thousands of Dollars Historical Cost	(e)
*The Vanguard Group	5,590,487 units, Vanguard International Growth Fund	* *	114,889
	246,730 units, Vanguard Prime MM Inst	* *	246,730
	3,751,254 units, Vanguard International Value Fund	* *	120,640
	16,994,470 units, Vanguard Vanguard Total Bond Idx Inst	* *	180,141
	5,650,160 units, Vanguard Long-Term Treasury Fund	* *	62,547
	5,426,039 units, Vanguard Mid-Cap Index Fund Ins	* *	110,474
	2,119,084 units, Vanguard Morgan Growth Fund	* *	38,207
	6,939,687 units, Vanguard Total Int 1 Stock Idx	* *	109,369
	3,841,707 units, Vanguard PRIMECAP Fund	* *	252,784
	4,700,187 units, Vanguard Small-Cap Growth Idx Ins	* *	103,216
	4,841,453 units, Vanguard Small-Cap Value Idx Ins	* *	77,657

Schedule H, Line 4i
Schedule of Assets (Held at End of Year)

ConocoPhillips Savings Plan
EIN 73-0400345, Plan 022

At December 31, 2010

(a)(b) Identity of issue borrower, lessor Current or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Thousands of Dollars Historical Cost	(e) Value
*The Vanguard Group	2,286,815 units, Vanguard Total Stock Market Idx Inst	* *	72,195
	1,505,650 units, Vanguard Extended Mkt Index Inst	* *	62,138
	1,551,994 units, Vanguard Value Index Fund Inst	* *	32,266
	895,702 units, Vanguard Growth Index Fund Ins	* *	28,304
	4,762,092 units, Vanguard Wellington Fund	* *	148,101
	4,766,119 units, Vanguard Windsor II Fund	* *	122,346
	782,523 units, Vanguard Target Retirement 2005	* *	9,179
	1,031,815 units, Vanguard Target Retirement 2010	* *	23,020
	4,495,886 units, Vanguard Target Retirement 2015	* *	55,839
	3,292,827 units, Vanguard Target Retirement 2020	* *	72,772
	4,152,450 units, Vanguard Target Retirement 2025	* *	52,404

Schedule H, Line 4i
Schedule of Assets (Held at End of Year)

ConocoPhillips Savings Plan
EIN 73-0400345, Plan 022

At December 31, 2010

(a)(b) Identity of issue borrower, lessor Current or similar party Value	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Thousands of Dollars Historical Cost	(e)
*The Vanguard Group	667,284 units, Vanguard Target Retirement 2045	* *	9,008
	1,165,020 units, Vanguard Target Retirement 2030	* *	25,258
	1,401,864 units, Vanguard Target Retirement 2035	* *	18,350
	263,019 units, Vanguard Target Retirement 2050	* *	5,629
	461,689 units, Vanguard Target Retirement 2040	* *	9,926
	8,107 units, Vanguard Target Retirement 2055	* *	185
	1,844,138 units, Vanguard Target Retirement Income	* *	20,802
* Participants	Loans to Plan participants, Interest rates ranging from 3.25% to 9.5%		105,910
* The Vanguard Group	Vanguard Prime Money Market - Loan 2	108	108
			\$ 7,519,584

* *Party-in-interest*

** *Historical cost information is not required for participant-directed investments.*

Exhibit Index

**ConocoPhillips Savings Plan
EIN 73-0400345, Plan 022**

Exhibit Number	Description
23	Consent of Independent Registered Public Accounting Firm 27