

Edgar Filing: I TRACK INC - Form 10QSB

I TRACK INC
Form 10QSB
November 14, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: September 30, 2002

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT
For the transition period from _____ to _____

Commission file number: 333-49388

I-TRACK, INC.
(Exact name of small business issuer as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

91-1966948
(IRS Employer
Identification No.)

3031 COMMERCE DRIVE, BUILDING B, FORT GRATIOT, MICHIGAN 48059
(Address of principal executive offices)

(810) 385-2061
(Issuer's telephone number)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed
since last report)

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

23,696,900 SHARES OF COMMON STOCK, \$0.001 PAR VALUE,
AS OF SEPTEMBER 30, 2002

Transitional Small Business Disclosure Format (check one); Yes No X

I-TRACK, INC.

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September 30, 20024

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i-TRACK, INC.
(A DEVELOPMENT STAGE COMPANY)
FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(UNAUDITED)

i-Track Inc.
 F/K/A AVL Sys International
 (A development Stage Company)
 Balance Sheet
 September 30, 2002
 (Unaudited)

ASSETS

Current Assets	
Cash	\$ 1,273
Accounts Receivable - trade net of an allowance for doubtful accounts of \$35,000	13,371
Accrued Interest receivable from related parties	59,286

Total Current Assets	73,930
Notes Receivable from related parties	1,283,977

	\$ 1,357,907
	=====

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities	
Accounts Payable	\$ 34,737

Total Current Liabilities	34,737
Stockholders Equity	
Preferred stock, 1,000,000 shares authorized, \$.01 par value, none issued or outstanding	-
Common Stock, 50,000,000 shares authorized, \$.001 par value, 23,696,900 issued and outstanding	23,697
Additional Paid in Capital	1,493,453
Stock Issuance Costs	(148,355)

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Deficit Accumulated during the development stage	(45,625)

	1,323,170

\$	1,357,907
	=====

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

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i-Track Inc.
F/K/A AVL Sys International
(A development Stage Company)
Statement of Operations
(Unaudited)

	For the three Months ended September 30, 2002	For the three Months ended September 30, 2001	For the nine Months ended September 30, 2002
	-----	-----	-----
Revenue	\$ 86,438	\$ -	\$ 301,750
Operating expenses:			
Cost of Goods Sold	69,335	-	250,635
General and Administrative Expenses	12,166	1,624	67,744
Management Fees to Related Party	7,500	-	22,500
	-----	-----	-----
Total Costs and Expenses	89,001	1,624	340,879
	-----	-----	-----
Operating Profit (Loss)	(2,563)	(1,624)	(39,129)
Other income (expense):			
Interest Income from Related Parties	9,630	-	44,871
	-----	-----	-----
Net Income (Loss)	\$ 7,067	\$ (1,624)	\$ 5,742
	=====	=====	=====
Weighted Average Number of Common Shares Outstanding	23,696,900	21,200,000	23,696,900
	=====	=====	=====
Net Income (Loss) per Common Share	-	-	-
	=====	=====	=====

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

i-Track Inc.
F/K/A AVL Sys International
(A development Stage Company)
Statement of Cash Flow
(Unaudited)

	For the Nine Months ended September 30, 2002	For the Nine Months ended September 30, 2001
	-----	-----
Cash Flows from Operating Activities		
Net Income (Loss)	\$ 5,742	\$ (5,748)
Adjustments to reconcile Net Income (Loss) to net cash used in operating activities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(11,827)	-
Accrued Interest Receivable	(44,871)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	30,959	1,042
Issuance of stock for services		-
	-----	-----
	(25,739)	(1,042)
	-----	-----
Net Cash used in Operating Activities	(19,997)	(4,706)
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities:		
Proceeds (repayments) of operating advance-related party	-	17,284
Proceeds from Stock Issuance	-	250,000
Stock Issuance Costs	-	(28,005)
Proceeds from (advances to) related party	18,598	(209,000)
	-----	-----
Net Cash provided by Financing Activities	18,598	30,279
	-----	-----
Net increase (decrease) in cash	(1,399)	25,573
Beginning Cash	2,672	4,479
	-----	-----
Ending Cash	\$ 1,273	\$ 30,052
	=====	=====

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

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i-TRACK, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Unaudited)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and Item 310(b) of Regulation S-B. They do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information refer to the audited financial statements of the Company as of December 31, 2001, including notes thereto, included in the Company's Annual Report on Form 10-KSB.

NOTE 2: EARNINGS PER SHARE

The Company calculates net income (loss) per share as required by SFAS No. 128, "Earnings per Share." Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During the periods presented, common stock equivalents were not considered, as their effect would be anti-dilutive.

NOTE 3: ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts was set by management to \$35,000 to provide for uncollectable accounts receivable and notes receivable at September 30, 2002.

NOTE 4: GOING CONCERN

The Company has been a development stage company since its inception on March 8, 1999. The Company is dependent upon AVL Information Systems, Ltd. and its subsidiary to provide all of its products sold and to supply management services. Because of the uncertainty of AVL Information Systems, Ltd. to continue as a going concern to supply these products and services and to generate sufficient cash flow to repay the \$1,283,977 notes receivable, there is substantial doubt about the Company's ability to continue as a going concern. Management is investigating the acquisition of the U.S. subsidiary, AVL Information Systems, Inc. from AVL Information Systems, Ltd.

The accompanying financial statements do not include an adjustment that might

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result from the outcome of this uncertainty.

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i-TRACK, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2002
 (Unaudited)

NOTE 5: SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES

	For the nine Months ended September 30, 2002	For the nine Months ended September 30, 2001	For Mar (incept Septem
	-----	-----	-----
Issuance of 15,000,000 shares of stock to satisfy debt	\$ - =====	\$ - =====	\$ =====
Issuance of 1,200,000 shares of stock for services rendered	\$ - =====	\$ - =====	\$ =====
Net Cash from Stock Proceeds received by a related corporation in exchange for note receivable from that related corporation	\$ - =====	\$ - =====	\$ =====

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Unless the context otherwise requires, the terms "we", "our" and "us" refers to i-Track, Inc.

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CAUTION

Certain statements in this Quarterly Report on Form 10-QSB, our audited financial statements for the fiscal year ended December 31, 2001 as filed in our annual report on Form 10-KSB, as well as statements made by us in periodic press releases, oral statements made by our officials to analysts and shareholders in the course of presentations about ourselves, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance or achievements of us to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among other things, (1) general economic and business conditions; (2) interest rate changes; (3) the relative stability of the debt and equity markets; (4) competition; (5) the availability and cost of our products; (6) demographic changes; (7) government regulations particularly those related to automatic vehicle location industry; (8) required accounting changes; (9) equipment failures, power outages, or other events that may interrupt Internet communications; (10) disputes or claims regarding our proprietary rights to our software and intellectual property; and (11) other factors over which we have little or no control.

OVERVIEW

We were incorporated in the state of Nevada on March 8, 1999 by AVL Information Systems Ltd. and its principal officer and directors. AVL Information Systems Ltd. is a Canadian public company that owns and licenses certain technology and automatic vehicle location systems. Effective September 30, 2001, we entered into an exclusive worldwide distribution agreement with AVL Information Systems Ltd. Under the agreement, we are licensed to market and distribute all of the products manufactured by AVL Information Systems Ltd.

We are in the development stage and have generated minimal revenues. We have a deficit accumulated during the development stage of \$45,625 as of September 30, 2002. We have suffered losses from operations and require additional financing. Moreover, we are dependent upon AVL Information Systems Ltd. and its subsidiary to provide all of our products and management services. Because of the uncertainty of AVL Information Systems Ltd. to continue as a going concern to supply these products and services, and to generate sufficient cash flow to repay the \$1,283,977 of notes receivable, there is substantial doubt about our ability to continue as a going concern. While we are investigating the acquisition of the U.S. subsidiary of AVL Information Systems in partial satisfaction of the debt, we cannot assure you that this acquisition will occur or that it will eliminate this doubt about our ability to continue.

RESULTS FROM OPERATIONS

We generated our first revenues during the last quarter of fiscal 2001. For the three and nine months ended September 30, 2002, we generated revenues of \$86,438 and \$301,750, respectively. Cost of goods sold, as a percentage of revenues, was 80.2% and 83.1% for these periods, respectively. General and administrative expenses increased from \$5,748 during the first nine months of 2001 to \$67,744 in 2002, an increase of 1079%. In addition, we incurred management fees of \$22,500 in 2002 that were not incurred in 2001. As a result, we incurred an operating loss of \$39,129 for the nine months ended September 30, 2002, as

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compared to \$5,748 for the nine months ended September 30, 2001. The operating loss for the three months ended September 30, 2002 was \$2,563, as compared to \$1,624 for the three months ended September 30, 2001.

However, due to interest income of \$9,630 and \$44,871 for the three and nine months ended September 30, 2002, on the notes receivable from related parties, we recognized net income for the three and nine month periods of \$7,067 and \$5,742, respectively.

LIQUIDITY AND FINANCIAL CONDITION

For the nine months ended September 30, 2002, the statement of cash flows reflects net cash used in operating activities of \$19,997, and net cash provided by financing activities of \$18,598. For the nine months ended September 30, 2001, operating activities used cash of \$4,706 and financing activities, primarily the sale of stock described below, provided cash of \$30,279.

On November 6, 2000, we filed a registration statement on Form SB-1 with the SEC (file number 333-49388) for the offer and sale of 2,500,000 units, at a price \$0.10 per unit, with each unit consisting of one share of common stock and one warrant to purchase one share of common stock. Our registration statement was declared effective on April 10, 2001. We completed the offering on April 30, 2001, selling 2,500,000 Units for gross proceeds in the amount of \$250,000. The total amount of offering expenses was \$28,005, with net proceeds of \$221,995.

In August and September, 2001, we advanced a total of \$209,000 to our affiliate, AVL Information Systems Ltd., toward the purchase of 600 Chaperone tracking units and marketing materials. This advance depleted most of our cash, leaving \$30,052 at September 30, 2001.

In October 2001, warrants for the purchase of 2,146,900 shares of our common stock were exercised for \$1,073,450. These funds have also been advanced to AVL Information Systems Ltd. toward the purchase of tracking units. An additional 346,900 warrants were exercised in November 2001.

At September 30, 2002, we had cash of \$1,273 and working capital of \$39,193. This compares to cash of \$2,672, and working capital of \$31,446 at December 31, 2001. However, \$59,286 of our current assets at September 30, 2002 was accrued interest receivable from related parties. As described in Note 4 of the Notes to Financial Statements, \$1,283,977 is owed by AVL Information Systems Ltd. and its subsidiary. Each of these entities received a going concern opinion on the audit of its financial statements.

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We loaned funds to AVL Information Systems and its subsidiary to enable those entities to get the Chaperone units to market more quickly. Through December 31, 2001, we had orders for approximately 5,000 units of the Chaperone unit. We have had to work closely with the original orders since the market has slowed and delivery has not been requested for all of the units manufactured as of now. While we had revenues of \$301,750 for the nine months ended September 30, 2002, sales at this level are not sufficient to cover our operating expenses or to engage in the type of marketing campaign that we need to pursue. We are not expecting significant repayment from AVL during the current fiscal year. Accordingly, we will have to pursue funding from external sources through a line of credit arrangement and/or the sale of debt and/or equity securities. We cannot assure you that we will be successful in these pursuits.

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PLAN OF OPERATION

At this time, we intend to establish relationships with a number of other companies to accelerate the implementation of the distribution agreement and the sale of the Spryte and Chaperone Systems(TM). We believe that our status as a U.S. publicly traded company will assist us in establishing strategic alliances because of our perceived level of credibility and access to capital in the U.S. markets. We intend to establish relationships with existing companies engaged in the automatic vehicle location industry, wireless carriers, manufacturers, distributors, and Internet companies. We intend to create relationships and to retain consultants and contractors with established connections in the telecommunication and application service provider industries. We foresee that the compensation would be commission based. Depending upon the market acceptance of the Spryte and Chaperone Systems(TM), we may hire employees in the foreseeable future.

We believe that establishing a network of alliances, while not a small task, can be accomplished in a shorter period of time and at less cost than building a comparable direct sales infrastructure. It is our priority to establish a channel partner network in the U.S. and Canada, and recruit international channel partners as opportunities present themselves.

We expect to generate revenues by selling the Spryte and Chaperone Systems(TM) at cost plus margin. We believe the amount of margin will vary depending on the time, expense, and size of sale.

We do not expect to purchase any significant equipment during the next twelve months, nor do we expect to hire a significant number of employees during that time period.

ITEM 3. CONTROLS AND PROCEDURES

We have recently evaluated our internal controls. As of November 13, 2002, there were no significant corrective actions taken by us or other changes made to these internal controls. Our management does not believe there were changes in other factors that could significantly affect these controls subsequent to the date of the evaluation.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not Applicable.

ITEM 2. CHANGES IN SECURITIES

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

REGULATION S-B NUMBER	EXHIBIT	CONSECUTIVE PAGE NUMBER
2.1	Articles of Incorporation (1)	N/A
2.2	Bylaws (1)	N/A
2.3	Certificate of Amendment of Articles of Incorporation (1)	N/A
10.1	Promissory Note dated August 20, 2000, in the amount of \$15,000, payable to Peter Fisher (1)	N/A
10.2	International Distribution Agreement dated January 7, 2001 (2)	N/A
10.3	Worldwide Exclusive Distribution Agreement dated September 30, 2001 (3)	N/A
10.4	Management Services Agreement dated January 1, 2002 (4)	N/A
10.5	2002 Stock Plan (4)	N/A

- (1) Incorporated by reference from the exhibits to the Registration Statement on Form SB-1 filed on November 6, 2000, File No. 333-49388.
- (2) Incorporated by reference from the exhibits to the Registration Statements on Form SB-1/A-1 filed on January 17, 2001, File No. 333-49388.
- (3) Incorporated by reference from the exhibits to the Quarterly Report on Form 10-QSB filed on December 6, 2001, File No. 333-49388.
- (4) Incorporated by reference from the exhibits to the Annual on Form 10-KSB for the fiscal year ended December 31, 2001, File No. 333-49388.

b) Reports on Form 8-K: None.

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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.

I-TRACK, INC.
(Registrant)

Date: November 14, 2002

By: /s/ PETER FISHER

Peter Fisher, Chairman
(Principal Executive, Financial and
Accounting Officer)

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CERTIFICATION

I, Peter Fisher, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of i-Track, 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;

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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 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;
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 functions):
 - 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 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.

Date: November 14, 2002

/s/ PETER FISHER

Peter Fisher, Principal Executive and
Financial Officer