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I TRACK INC
Form 10QSB
December 06, 2001

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, 2001

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 48058
(Address of principal executive offices)

(810) 469-3500
(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 NOVEMBER 30, 2001

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

I-TRACK, INC.

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i-TRACK, INC.
(A DEVELOPMENT STAGE COMPANY)
FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(UNAUDITED)

INDEPENDENT ACCOUNTANT'S REPORT

We have reviewed the accompanying balance sheet of i-Track, Inc. as of September 30, 2001, and the statements of operations for the three month and nine month periods ended September 30, 2001 and September 30, 2000 and for the period from inception to September 30, 2001 and statements of cash flows for the nine month periods ended September 30, 2001 and 2000 and the period from inception to September 30, 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

/s/ Edwards, Melton, Ellis, Koshiw and Company, P.C.

EDWARDS, MELTON, ELLIS, KOSHIW AND COMPANY, P.C.
Troy, Michigan
November 6, 2001

i-TRACK, INC.
F/K/A/ AVL SYS INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET

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September 30, 2001
(Unaudited)

ASSETS

Current assets:	
Cash	\$ 30,052
Note receivable	209,000

	\$ 239,052
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	\$ 1,937
Operating advances-related parties	37,284

Total current liabilities	39,221
Stockholders' equity:	
Preferred stock, 1,000,000 shares authorized, \$0.01 par value, none issued or outstanding	-
Common stock, 50,000,000 shares authorized, \$0.001 par value, 21,200,000 issued and outstanding	21,200
Additional paid-in capital	219,495
Deficit accumulated during the development stage	(40,864)

	199,831

	\$ 239,052
	=====

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

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	For the three months ended September 30, 2001 -----	For the three months ended September 30, 2000 -----	For the nine months ended September 30, 2001 -----	F m S
Revenue	\$ -	\$ -	\$ -	\$
Cost and expenses:				
General and administrative expenses	1,624 -----	1,152 -----	5,748 -----	
Total costs and expenses	1,624 -----	1,152 -----	5,748 -----	
Net (loss)	\$ (1,624) =====	\$ (1,152) =====	\$ (5,748) =====	\$
Weighted average number of common shares outstanding	21,200,000 =====	18,700,000 =====	19,808,059 =====	
Net (loss) per common share	\$ - =====	\$ - =====	\$ - =====	\$

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

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i-TRACK, INC.
F/K/A AVL SYS INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the nine months ended September 30, 2001 -----	For the nine months ended September 30, 2000 -----	For the period March 8, 1999 (inception) thro SEPTEMBER 30, 2
Cash flows from operating activities	\$ (4,706)	\$ (4,429)	\$ (37,727)
Cash flows from investing activities	-	-	-
Cash flows from financing activities:			

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Proceeds from operating advance- related party	17,284	14,996	52,284
Proceeds from stock issuance	250,000	17,500	252,500
Offering costs	(28,005)	-	(28,005)
Advances to related party	(209,000)	-	(209,000)
	-----	-----	-----
Net cash used in financing activities	30,279	32,496	67,779
	-----	-----	-----
Net increase (decrease) in cash	25,573	28,067	30,052
Beginning cash	4,479	471	-
	-----	-----	-----
Ending cash	\$ 30,052	\$ 28,538	\$ 30,052
	=====	=====	=====

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

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i-TRACK, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(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, 2000, including notes thereto, included in the Company's Registration Statement on Form SB-1.

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: STOCKHOLDERS' EQUITY

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During the nine months ended September 30, 2001, the Company completed its Form SB-1 offering raising \$250,000 net of \$28,005 in offering expenses.

NOTE 4: ADVANCES TO RELATED PARTY

The Company advanced \$209,000 to a corporation related to its controlling shareholder. The advance is non-interest bearing and management indicated the advance will be used for the purchase of Chaperone advertising material and tracking units.

NOTE 5: SUBSEQUENT EVENTS

In October and November, 2001 there were 2,493,800 stock warrants exercised for the purchase of common stock at \$.50 per share. Management indicated that the proceeds of approximately \$1,000,000 had been deposited into an affiliated company's bank accounts for use in the development and marketing of products to be purchased by the Company.

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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.

CAUTION

Certain statements in this Quarterly Report on Form 10-QSB, our audited financial statements for the fiscal year ended December 31, 2000 as filed in our registration statement on Form SB-1, 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.

SELECTED FINANCIAL DATA

Our selected financial data for the nine months ended September 30, 2001 shown below is derived from our financial statements. The financial data derived from the statements should be read in conjunction with our financial statements and the notes included elsewhere in this report.

BALANCE SHEET DATA:	SEPTEMBER 30, 2001	DECEMBER 31, 2000
---------------------	--------------------	-------------------

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Current Assets.....	\$	239,052	\$	4,479
Total Assets.....	\$	239,052	\$	4,479
Current Liabilities.....	\$	39,221	\$	20,895
Stockholders' Equity				
(Deficiency).....	\$	199,831	\$	(16,416)
Working Capital.....	\$	199,831	\$	(16,416)

STATEMENT OF LOSS DATA:		NINE MONTHS ENDED	SEPTEMBER 30,	
		2001	2000	
Revenues.....	\$	0	\$	0
Net Loss.....	\$	(5,748)	\$	(5,629)
Net Loss per Share.....	\$	(0)	\$	0

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. We have entered into two distribution agreements with AVL Information Systems Ltd.

We have two separate distribution agreements with AVL Information Systems Ltd. On January 7, 2001, we entered into a non-exclusive worldwide International Distribution Agreement which licensed us to market and distribute an automatic vehicle location system called the Spryte System(TM). On September 30, 2001, we entered into a World Wide Exclusive Distribution Agreement which made us the exclusive distributor for all of the products development and manufactured by AVL Information Systems Ltd, including the Chaperone System(TM).

The Spryte System(TM) and Chaperone System(TM) integrate Global Positioning System technology, cellular-wireless communications and the Internet to enable companies to efficiently manage their mobile resources with location-relevant and time-sensitive information. While there are several ways to transmit information from a vehicle to a central location, we believe that the Spryte System(TM) and the Chaperone System(TM) provide significant value to customers by reducing their costs of doing business and increasing the productivity of their mobile resources.

We are in the development stage and have not generated any revenues. We have an accumulated deficit of \$40,864 through September 30, 2001. We have suffered losses from operations and require additional financing. Our current financing needs have been met by the recently completed public offering. Ultimately we need to generate revenues and successfully attain profitable operations. The marketing and distribution of the Spryte System(TM) and Chaperone System(TM) may take years to complete and the amount of resulting revenues, if any, is difficult to determine. Our previous capital needs have been met by equity offerings, and we have issued common stock in exchange for services rendered and funds advanced by related parties. These factors raise substantial doubt about our ability to continue as a going concern. There can be no assurance that we will be able to market and distribute the Spryte System(TM) and Chaperone System(TM). Even if we are able to market and distribute the systems, there is no assurance that we will be able to generate revenues and attain profitable

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operations.

RESULTS FROM OPERATIONS

We have a limited operating history. We incurred a net loss of \$32,087 for the year ended December 31, 2000, and had a net loss of \$3,029 for the period ended December 31, 1999. For the nine months ended September 30, 2001, we had a net loss of \$5,748, as compared to \$5,629 for the comparable 2000 period.

LIQUIDITY AND FINANCIAL CONDITION

For the nine months ended September 30, 2001, the statement of cash flows reflects net cash used in operating activities of \$4,706, and net cash provided by financing activities of \$30,279. While

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we received net offering proceeds of \$221,995, \$209,000 was advanced to AVL Information Systems Ltd. For the nine months ended September 30, 2000, net cash used in operating activities was \$4,429, which was offset by related party loans of \$14,996 and proceeds from equity offerings of \$17,500.

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 were \$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.

Effective September 30, 2001, we entered into a Worldwide Exclusive Distribution Agreement with AVL Information Systems Ltd., covering all of the products manufactured by AVL. We decided to advance funding to AVL to assist with the completion and testing of the Chaperone tracking unit to get it to the market more quickly. By doing so, we believe that we will be able to generate revenues more quickly. Through November 30, 2001, we have obtained orders of 7,000 units of the Chaperone System.

PLAN OF OPERATION

At this time, we will continue our efforts to implement the distribution agreements and the sale of the Spryte System(TM) and Chaperone System(TM). While we have received orders of approximately 7,000 units of the Chaperone System(TM), we still need to establish relationships with other companies to accelerate the implementation of the distribution agreements. These companies

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could include existing companies engaged in the automatic vehicle location industry, wireless carriers, manufacturers, distributors, and Internet companies. We also intend to create relationships and to retain consultants and contractors with established connections in the telecommunication and application service provider industries. We foresee that compensation will be commission based. Depending upon the market acceptance of the Spryte System(TM) and Chaperone System(TM), we may hire employees in the foreseeable future. We expect to realize revenues within the next three months.

We do not expect to purchase any significant equipment during the foreseeable future, nor do we expect to hire a significant number of employees. We expect to finance our objectives through the proceeds derived from the exercise of warrants.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not Applicable.

ITEM 2. CHANGES IN SECURITIES

On November 6, 2000, the registrant 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. This registration statement was declared effective on April 10, 2001. The registrant completed the offering on April 30, 2001, selling 2,500,000 Units for gross proceeds in the amount of \$250,000. No expenses in connection with underwriting discounts and commissions, or finder's fees were incurred. Total offering expenses were \$28,005, with net proceeds of \$221,995.

Through September 30, 2001, the registrant has used the net proceeds as follows: \$209,000 has been advanced to an affiliate, AVL Information Systems Ltd., toward the purchase of Chaperone tracking units and marketing materials. The remainder has been used for general and administrative expenses.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

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

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

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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	16

- (1) Incorporated by reference from our Registration Statement on Form SB-1 filed on November 6, 2000, File No. 333-49388.
- (2) Incorporated by reference from our Registration Statement on Form SB-1/A-1 filed on January 17, 2001, File No. 333-49388.

b) Reports on Form 8-K: On August 28, 2001, the registrant filed a current report on Form 8-K dated August 27, 2001, reporting under Item 5, Other Events, the separation of warrants from units. No financial statements were required to be filed.

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: December 6, 2001

By: /s/ Barbara M. Castanon, President

Barbara M. Castanon, President
(Principal Financial Officer)

