

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

IT&E INTERNATIONAL GROUP
Form 10QSB/A
May 04, 2005

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

Amendment No. 1 to

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, 2004.

☐ Transition Report under Section 13 or 15(d) of the Exchange Act For the
Transition Period from _____ to _____

Commission File Number: 000-50095

IT&E International Group

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

Nevada

77-0436157

(State or other jurisdiction of
incorporation or organization)

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

505 Lomas Santa Fe Drive, Suite 200, Solana Beach CA

92075

(Address of principal executive offices)

(zip code)

Issuers telephone number: 858-366-0970

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act of 1934 during the past 12
months (or 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

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 a court.

Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

Common Stock, \$0.001 par value per share, 70,000,000 shares authorized,

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

19,000,000 issued and outstanding as of September 30, 2004. Preferred Stock, \$0.001 par value per share, 5,000,000 shares authorized, 2,820,000 issued and outstanding as of September 30, 2004.

Traditional Small Business Disclosure Format (check one)

Yes [] No [X]

1

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements.....	3
	Balance Sheet (unaudited).....	4
	Statements of Operations (unaudited).....	5
	Statements of Cash Flows (unaudited).....	6
	Notes to Financial Statements.....	7-8
Item 2.	Management's Discussion and Analysis of Plan of Operation.....	9
Item 3.	Controls and Procedures.....	23

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings.....	24
Item 2.	Changes in Securities and Use of Proceeds.....	24
Item 3.	Defaults upon Senior Securities.....	24
Item 4.	Submission of Matters to a Vote of Security Holders.....	24
Item 5.	Other Information.....	24
Item 6.	Exhibits and Reports on Form 8-K.....	24
	Signatures.....	25

2

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND EXHIBITS

As prescribed by Item 310 of Regulation S-B, the independent auditor has reviewed these unaudited interim financial statements of the registrant

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

for the nine months ended September 30, 2004. The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. The unaudited financial statements of registrant for the nine months ended September 30, 2004, follow.

3

IT&E Corporation Balance Sheet (Unaudited)

BALANCE SHEET

September 30,
2004

Assets

Current assets

Cash	\$ 291,760
Accounts receivable, net of allowance for doubtful accounts of \$69,703	2,082,356
Unbilled revenue	354,039
Prepaid and other current assets	56,888
Advances to employees	27,984
Investments	176,109
Total current assets	2,989,136

Fixed assets, net

Deposits	93,501
	41,579
	\$ 3,124,216

Liabilities and Stockholders' Equity

Current Liabilities:

Line of credit - bank	\$ 1,494,150
Accounts payable	453,156
Accrued payroll and employee benefits	548,126
Other current liabilities	23,779
State income tax payable	4,600
Total current liabilities	2,523,811

Stockholders' equity:

Preferred stock, Series A, \$.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	-
Preferred stock, Series B, \$.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	-
Preferred stock, Series C, \$.001 par value, 5,000,000 shares authorized, 2,820,000 shares issued and outstanding	2,820
Common stock, \$.001 par value, 70,000,000 shares	

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

authorized, 19,000,000 shares issued and outstanding	19,000
Additional paid-in capital	352,860
Retained earnings	225,725

	600,405

	\$ 3,124,216
	=====

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

4

IT&E Corporation Statements of Operations (Unaudited)

STATEMENTS OF OPERATIONS

ended	For the three months ended		For the nine months	
	September 30,		September 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Revenue	\$ 3,038,582	\$ 2,570,229	\$ 9,404,394	\$ 7,221,941
Cost of revenue	2,410,783	1,550,390	6,693,321	4,444,606
	-----	-----	-----	-----
Gross profit	627,799	1,019,839	2,711,073	2,777,335
Operating expenses:				
General and administrative expenses	853,223	892,834	2,519,828	2,359,947
Sales and marketing expenses	42,982	8,521	67,819	28,374
Depreciation expense	4,677	4,608	14,314	13,411
Officer salaries	66,731	60,000	186,731	180,000
	-----	-----	-----	-----
Total operating expenses	967,613	965,963	2,788,692	2,581,732
	-----	-----	-----	-----
Net operating income	(339,814)	53,876	(77,619)	195,603
Other income (expense):				
Other income	-	4,220	-	11,453
Other (expenses)	(76,397)	(6,712)	(136,912)	(41,952)
Interest expense	(18,569)	(9,106)	(49,032)	(15,259)
	-----	-----	-----	-----
Total other income (expense)	(94,966)	(11,598)	(185,944)	(45,758)
Income before provision for income taxes	(434,780)	42,278	(263,563)	149,845
Provision for state income taxes	-	-	-	-
	-----	-----	-----	-----
Net income (Loss)	\$ (434,780)	\$ 42,278	\$ (263,563)	\$ 149,845

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

Weighted average number of common shares outstanding - basic and fully diluted	19,000,000	11,000,000	19,000,000	11,000,000
Net income per share - basic and fully diluted	\$ (0.02)	\$ 0.004	\$ (0.01)	\$ 0.01

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

5

IT&E Corporation Statement of Cash Flow (Unaudited)

STATEMENT OF CASH FLOWS

	For the nine months ended September 30,	
	2004	2003
Cash flows from operating activities		
Net income	\$ (263,563)	\$ 149,846
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Depreciation expense	14,314	13,411
Loss on disposal of fixed assets	-	-
Changes in operating assets:		
Accounts receivable	(600,881)	(885,443)
Prepaid and other current assets	(31,895)	66,829
Advances to employees	18,987	(33,687)
Accounts payable & Accrued Liabilities	306,175	20,350
Accrued payroll and employee benefits	252,565	36,305
Other current liabilities	-	-
State franchise tax payable	-	-
Net cash (used) by operating activities	(304,298)	(602,389)
Cash flows from investing activities		
Purchase of fixed assets	(41,197)	(12,164)
Deposits	(18,196)	3,874
Investment in Valtrek J.V.	(160,109)	-
Net cash (used) by investing activities	(219,502)	(8,290)
Cash flows from financing activities		
Advances to shareholders	-	(2,594)
Proceeds from AFG financing	20,039	-
Proceeds from line of credit, net	639,135	550,000
Payments made on loan to former shareholder	-	(36,400)
Distributions to shareholders	(16,850)	-

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

Net cash provided by financing activities	642,324	511,006
Net increase in cash	118,524	(99,673)
Cash - beginning	173,236	160,036
Cash - ending	\$ 291,760	\$ 60,363
Supplemental disclosures:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

6

IT&E Corporation Notes to financial statements

Note 1 - Basis of presentation

The consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated financial statements of the Company for the period ended December 31, 2003 and notes thereto. The Company follows the same accounting policies in the preparation of consolidated interim reports.

Results of operations for the interim periods are not indicative of annual results.

Note 2 - Fixed assets

Depreciation expense totaled \$14,314 and \$13,411 for the nine-month periods ended September 30, 2004 and 2003, respectively.

Note 3 - Line of credit - bank

The Company has a \$1,500,000 renewable line of credit with a commercial bank. The line bears interest at the bank's prime rate plus 1%. There was an outstanding balance as of September 30, 2004 of \$1,494,150. The line expires on November 1, 2004, and is guaranteed by all of the assets of the Company and the

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

personal guarantees of the stockholders. The line has certain financial covenants.

The Company recorded interest expense of \$49,032 for the nine months ended September 30, 2004 and \$15,259 for the nine months ended September 30, 2003.

Note 4 - Warrants and options

On April 13, 2004, the Company issued 2,000,000 warrants to several individuals for cash totaling \$2,000. The warrants are convertible on a one-for-one basis at a price to be agreed upon on the exercise date by the Company's board of directors and the warrant holders. The exercise date is not sooner than one year and not later than five years.

7

IT&E Corporation Notes to financial statements

Note 5 - Reverse Merger

On April 14, 2004, the Company ("IT&E"), Clinical Trials Assistance Corporation, a Nevada corporation (the "Registrant") or ("CTAL"), and Clinical Trials Assistance Acquisition Corporation, a Nevada corporation ("Merger Sub"), entered into an Acquisition Agreement and Plan of Merger (collectively the "Agreement") pursuant to which the Registrant, through its wholly-owned subsidiary, Merger Sub, acquired IT&E in exchange for 11,000,000 shares of the Registrant's common stock which were issued to the holders of IT&E stock and 2,820,000 preferred shares, which are convertible on a ten-for-one basis into CTAL \$0.001 par value common stock, after they are held for two years (the "Merger"). Immediately after the Acquisition was consummated and further to the Agreement, Kamill Rohny, the controlling stockholder of the Registrant, cancelled 28,000,000 shares of the Registrant's Common Stock held by him (the "Cancellation"). The transaction contemplated by the Agreement was intended to be a "tax-free" reorganization pursuant to the provisions of Section 351 and 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

The stockholders of IT&E (six stockholders owning 481,500 shares), who unanimously approved the acquisition as of the closing date of the Merger and after giving effect to the Cancellation, now own approximately 80% of the Registrant's common stock outstanding as of June 10, 2004. This figure is based on the issuance of 9,000,000 shares of \$0.001 par value common stock and the share dilution upon conversion of the 2,000,000 warrants into common stock.

For accounting purposes, this transaction was being accounted for as a reverse merger, since the stockholders of IT&E own a majority of the issued and outstanding shares of common stock of the Registrant, and the directors and executive officers of IT&E became the directors and executive officers of the Registrant.

Note 6 - Subsequent events

On October 19, 2004 the Company completed a private placement transaction for

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

the sale of \$5,000,000 newly issued convertible notes to Laurus Master Fund, Ltd., a New York based institutional fund that specialized in direct investments in growing, small and micro-cap companies. The financing consisted of two facilities: A \$2.5 million facility that was used to pay off the company's then current Senior Credit Facility with Bank of Walnut Creek, for \$1.5 million and the remaining \$1.0 million, net of transaction fees used for grow working capital; the second facility is a \$2.5 million convertible note which is to be used towards either additional internal growth working capital requirements or towards a strategic acquisition, which is a part of the company's strategic long-term growth plans. The transaction also provides Laurus Funds an additional right to invest up to an additional \$2.0 million prior to July 15, 2005, at their option also to be used towards a strategic acquisition.

8

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATIONS

Introduction

On April 14, 2004, IT&E International Group entered into an Acquisition Agreement and Plan of Merger with Clinical Trials Assistance Corporation, or Clinical Trials, through its wholly-owned subsidiary, Merger Sub. Pursuant to the Acquisition Agreement, Clinical Trials acquired IT&E in exchange for 11,000,000 shares of the Registrant's common stock which were issued to the holders of IT&E stock and 2,820,000 preferred shares, which can be converted for common shares at a ten-for-one ratio, after they are held for two years. Additionally, once the merger was consummated and further to the Agreement, the then controlling stockholder of the Registrant, cancelled 28,000,000 shares of the Registrant's Common Stock held by him. Clinical Trials and IT&E were engaged in the same general business. The transaction contemplated by the Agreement was intended to be a "tax-free" reorganization pursuant to the provisions of Section 351 and 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

Company Overview

We are a life sciences service organization focused on providing our clients with project-based consulting services in the areas of FDA regulatory compliance, data management, biometrics and clinical validation throughout the clinical trials lifecycle. Our services range from recruitment of patients for clinical trials and providing skilled personnel to assist with managing clinical trials, to providing enterprise software solutions and training to manage data to ensure FDA compliance. We also provide validation services for new pharmaceutical manufacturing facilities. We serve a variety of clients, including those in the private industry, public institutions, research facilities and the government.

Our client list includes such well-known pharmaceuticals and biotechnology companies as Eli Lilly, Novartis, Chiron, Pfizer, Bristol-Myers Squibb, Glaxo Smith Kline, Abbott, Schering-Plough, Amgen, Baxter, Aventis Pasteur, Wyeth, Vaxgen, Boston Scientific and Genentech. We are in the process of seeking other businesses to acquire so that we can expand our operations. The analysis of new business opportunities and evaluation of new business strategies will be undertaken by or under the supervision of our Board of Directors. In analyzing prospective businesses opportunities, management will consider, to the extent applicable, the available technical, financial and managerial resources of any

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

given business venture. We will also consider the nature of present and expected competition; potential advances in research and development or exploration; the potential for growth and expansion; the likelihood of sustaining a profit within given time frames; the perceived public recognition or acceptance of products, services, trade or service marks; name identification; and other relevant factors.

9

We will analyze all relevant factors and make a determination based on a composite of available information, without reliance on any single factor. The period within which we will decide to participate in a given business venture cannot be predicted and will depend on certain factors, including the time involved in identifying businesses, the time required for us to complete our analysis of such businesses, the time required to prepare appropriate documentation and other circumstances.

The overall outlook for our continued financial growth remains very positive as our pipeline for new customers remains solid. We will continue to move ahead on the execution of our strategic plans to raise additional capital to be used to make further strategic acquisitions in the coming quarters, positioning IT&E for a leadership position in our industry.

Results of Operations

As of September 30, 2004, the Company's current assets exceeded its current liabilities by \$465,325.

Accounts receivable at September 30, 2004 was \$2.1 million, net of an allowance for doubtful accounts of \$69,703, as compared to accounts receivable at September 30, 2003 of \$1.6 million, net of an allowance for doubtful accounts of \$118,000. The increase was due primarily to an aggressive sales strategy during the first, second and third quarters of 2004 to sign new long-term and preferred vendor relationships with the leading pharmaceutical and biotechnology companies to further expand and broaden our customer base. An additional result of establishing contracts with such established companies is that the risk of uncollectible accounts is reduced. We review our outstanding receivables on a monthly basis to determine collectibility.

For the nine months ended September 30, 2004, we generated service revenues of \$9.4 million as compared to \$7.2 million in revenues for the nine months ended September 30, 2003, an increase of 30.6%. Service revenues for the third quarter ended September 30, 2004, were \$3.0 million as compared to \$2.6 million during the same quarter of 2003, an increase of 18%. This increase in revenues is a direct result in our change in sales strategy noted above.

Our strategy of signing new major clients has begun to produce some good results. We have signed new agreements with several big pharmaceutical companies, large biotech firms, an alternative supplement manufacturers, and a medical device company. In addition, we expanded our services to clients supporting the U.S. Government's Bio Defense initiatives by assisting companies that are producing needed vaccines for anti-terrorism measures.

We have also secured renewals and extensions of major initiatives within existing clients, such as Schering-Plough, Pfizer, Novartis, GlaxoSmithKline,

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

Baxter Pharmaceutical, Aventis Pasteur, Bayer, Wyeth Global, Genentech, Chiron, Amgen, Boston Scientific and VaxGen.

10

The cost of revenue for the nine months ended September 30, 2004 was \$6.7 million, or 71% of revenues, as compared to \$4.4 million, or 61% of revenues for the nine months ended September 30, 2003. Our gross profit for the third quarter of 2004 was 20.7% as compared to 39% during the same quarter of 2003. The increase in cost of revenue exceeded management's expectations and we are working to improve these margins by way of controlling the cost of providing our contractors to the customer. Also, during the quarter we incurred additional costs of sale in taking some lower margins initially to secure selected new business.

The nature of other expenses, are miscellaneous non-operating related expenses. For the three months ended September 30, 2004 the expenses were unusually high due to a \$32,000 additional provision for Bad Debts to bring the Reserve to a level the company felt was appropriate as the level of receivables had grown significantly and payments of \$16,000 were paid on outstanding accounts payable.

Total operating expenses for the nine months ended September 30, 2004 were \$2.8 million, or 29% of revenues, as compared to \$2.6 million, or 36% of revenues, for the same period last year. Total operating expenses for the third quarter of 2004 were \$967,000 as compared to \$965,000 for the same period in 2003. During 2004, we incurred costs not previously incurred, such as costs associated with our reverse merger with Clinical Trials Assistance Corporation and costs associated with becoming a public entity. In addition to the significant investment to broaden our customer base, we began to implement a company-wide quality management system to better serve our customers. We also added depth to our management team and began the process of recruiting independent outside Board members. We expect these costs to continue during the fourth quarter and into 2005 as we continue to grow as a public entity and move ahead with our strategy of seeking follow-on investors to support our acquisition strategy.

As of September 30, 2004 the allowance for doubtful accounts is deemed appropriate by company management. While the allowance for doubtful accounts has decreased from \$183,500 at December 31, 2003 to \$69,703 at September 30, 2004 and receivables have gone from \$2,152,059 at September 30, 2004 from \$1,758,025, the resulting decrease in the allowance for doubtful accounts is supported by the company writing-off old non-collectable accounts in 2004, and the overall nature of receivables has changed from 2003 to 2004, with a much larger level of receivables represented by top pharmaceutical and biotech companies versus smaller dot com related companies from 2002 and 2003.

Need for Additional Funding

With our current contract backlog and sales pipeline of in excess of \$20.0 million, and our current cash and accounts receivables balance, we believe that we have adequate resources to fund our operations through 2005. There can be no assurance that market conditions will permit us to raise sufficient funds for strategic acquisitions or that additional financing will be available when needed or on terms acceptable to us.

Liquidity and Capital Resources

The Company is authorized to issue 70,000,000 shares of its \$0.001 par value common stock, 5,000,000 shares of its \$0.001 par value Series A preferred stock, 5,000,000 shares of its \$0.001 par value Series B preferred stock, and 5,000,000 shares of its \$0.001 par value Series C preferred shares.

Current Assets

Cash. For the period ending September 30, 2004, the Company had \$291,760 in cash. This money came from the Company's operating cash flows.

Account receivables amounted to \$2,082,356, this number includes net of allowance for doubtful accounts of \$69,703.

Prepaid expenses. Prepaid expenses increased from \$24,951 at September 30, 2003 to \$158,158 at September 30, 2004, an increase of \$133,207.

Total Current Assets. Total Current Assets were \$2,989,136.

Liabilities

Total Current Liabilities. Total Current Liabilities were \$2,523,811, which gives the company a current ratio of 1.18.

Total Liabilities. Total Liabilities were \$2,523,811.

The Company anticipates that its cash requirements will continue to increase as it continues to expend substantial resources to build its infrastructure, develop its business plan and expand its sales and marketing network operations, customer support and administrative organizations. The Company currently anticipates that its available cash resources and cash generated from operations and the private placement will be sufficient to meet its presently anticipated working capital and capital expenditure requirements for the next twelve months. If the Company is unable to maintain profitability, or seeks further expansion, additional funding will become necessary. No assurances can be given that either equity or debt financing will be available.

Subsequent Event:

On October 18, 2004, we issued a \$5,000,000 secured convertible term note ("Note") to Laurus Master Fund, Ltd. ("Laurus"). The Note is convertible into shares of our common stock at an initial conversion price of \$0.75 per share. Pursuant to this agreement, we also issued to Laurus a warrant ("Warrant") to purchase up to 1,924,000 shares of our common stock, of which 962,000 shares will have an exercise price of \$0.94 and 962,000 shares will have an exercise price of \$1.12. The warrants expire on October 18, 2011.

The Note has a term of three years and accrues interest at the prime rate plus 2.5% per year (7.50% as of December 31, 2004). The Note is secured by all our assets and the assets of our subsidiaries. The Note consists of a non-restricted facility of \$2.5 million and a restricted facility of \$2.5 million. The non-restricted facility was used to pay off an outstanding line of credit of approximately \$1.5 million, with the remaining \$1.0 million, net of transaction fees, being used for working capital. The second \$2.5 million facility is restricted for either additional internal growth working capital requirements or for a future acquisition, which is a part of our strategic long-term growth plans. These funds are under the sole dominion and control of Laurus as security for our obligations under the Securities Purchase Agreement and other related agreements. (See financial footnote 6 entitled "Convertible Debt.")

Employees

IT&E employs approximately 80-85 staff employees. These employees represent the following employment mix for the company: 10% administration, 7% recruiting, 5% sales, and 78% contract service providers. Additionally we utilize the services of approximately 50-55 outside consultants who work as independent contractors for IT&E.

RISK FACTORS

The following risk factors should be considered carefully in addition to the other information presented herein:

WE OPERATE IN A MARKET THAT IS HIGHLY COMPETITIVE, AND IF WE ARE UNABLE TO COMPETE SUCCESSFULLY, OUR REVENUE COULD DECLINE AND WE MAY BE UNABLE TO GAIN MARKET SHARE.

The market for life science outsourcing is relatively new and highly competitive. Our future success will depend on our ability to adapt to changing technologies, evolving industry standards, product offerings, evolving demands of the marketplace and to expand our customer base through long-term contracts. Some of our competitors have longer operating histories and larger customer bases, which means they have more experience in completing clinical trials in order to obtain regulatory approvals. In the regulatory compliance area, we compete against RCM Technologies, Teratec, and Comsys (Venturi Partners), in the clinical services area, we compete against Covance, Charles River/Inversek, SFBC International, Covalent, Icon, Kendle, and Parexel. Our competitors have greater marketing capabilities which has helped them establish stronger name recognition and longer relationships with clients. We may not be able to compete with those companies effectively.

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

Our competitors may also be better positioned to address technological and market developments or may react more favorably to technological changes. If we fail to gain market share or lose existing market share, our financial condition, operating results and business could be adversely affected and the value of the investment in us could be reduced significantly. We may not have the financial resources, technical expertise or marketing, distribution or support capabilities to compete successfully.

WE MAY NOT BE ABLE TO ATTRACT, RETAIN OR INTEGRATE KEY PERSONNEL, WHICH MAY PREVENT US FROM SUCCESSFULLY OPERATING OUR BUSINESS.

We may not be able to retain our key personnel or attract other qualified personnel in the future. We believe that our continued success will depend to a significant extent upon the efforts and abilities of our senior management team, including Kelly Alberts, our President and COO, and Peter Sollenne, our Chief Executive Officer. These individuals possess industry knowledge and have successfully built strong working relationships with our clients. Our failure to retain Mr. Alberts and Mr. Sollenne, in particular, or to attract and retain additional qualified personnel, could adversely affect our operations. We do not currently carry key-man life insurance on any of our executive officers, and no employment contracts have been executed with our key executive officers.

WE MAY BE RESPONSIBLE FOR MAINTAINING SENSITIVE PATIENT INFORMATION, AND ANY UNAUTHORIZED USE OR DISCLOSURE COULD RESULT IN SUBSTANTIAL DAMAGE AND HARM TO OUR REPUTATION.

We collect and utilize data derived from various sources to recruit patients for clinical studies. We have access to names and addresses of potential patients who may participate in these studies. As a result, we know what studies are taking place, and who may be participating in these studies. In order to deliver a targeted mail program, we compile specific demographic information. We must protect this information to address privacy concerns. The information keyed to a specific disease state could be inadvertently disclosed without the consent of the patient. Due to these privacy concerns, we must take steps to ensure patient lists remain confidential. Any unauthorized disclosure or use could result in a claim against us for substantial damages and could harm our reputation. There can be no assurance that any protection will be available for such data or that others will not claim rights to such data.

IF THE COMPANY DOES NOT KEEP PACE WITH RAPID TECHNOLOGICAL CHANGES, ITS PRODUCTS AND SERVICES MAY BECOME LESS COMPETITIVE OR OBSOLETE, ESPECIALLY IN THE COMPANY'S PERCEPTIVE INFORMATICS BUSINESS.

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

The biotechnology, pharmaceutical and medical device industries generally, and clinical research specifically, are subject to increasingly rapid technological changes. The Company's competitors or others might develop technologies, products or services that are more effective or commercially attractive than the Company's current or future technologies, products or services, or render its technologies, products or services less competitive or obsolete. If competitors introduce superior technologies, products or services and the Company cannot make enhancements to its technologies, products and services necessary to remain competitive, its competitive position will be harmed. If the Company is unable to compete successfully, it may lose customers or be unable to attract new customers, which could lead to a decrease in revenue.

THE COMPANY'S OPERATING RESULTS HAVE FLUCTUATED BETWEEN QUARTERS AND YEARS AND MAY CONTINUE TO FLUCTUATE IN THE FUTURE, WHICH COULD AFFECT THE PRICE OF ITS COMMON STOCK

The Company's quarterly and annual operating results have varied and will continue to vary in the future as a result of a variety of factors. Factors that cause these variations include:

- the level of new business authorizations in a particular quarter or year;
- the timing of the initiation, progress, or cancellation of significant project;
- the mix of services offered in a particular quarter or year;
- the timing of the opening of new offices;
- costs and the related financial impact of acquisitions;
- the timing of internal expansion;
- the timing and amount of costs associated with integrating acquisitions; and
- the timing and amount of startup costs incurred in connection with the introduction of new products, services or subsidiaries.

Although none of these bullet points have adversely affected our operations in the past, they are certainly significant factors that need to be considered as potential risk factors with regards to our operating results.

MANY OF THESE FACTORS, SUCH AS THE INITIATION OF NEW PROJECTS BETWEEN QUARTERS OR YEARS, ARE BEYOND THE COMPANY'S CONTROL.

A significant portion of the Company's operating costs relate to personnel, which accounted for approximately 85% of the Company's total operating costs in fiscal year 2004. As a result, the effect on the Company's revenues of the timing of the completion, delay or loss of contracts, or the progress of client

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

projects, could cause its operating results to vary substantially between reporting periods. If the Company's operating results do not match the expectations of securities analysts and investors as a result of these factors, the trading price of its common stock will likely decrease.

IF WE DO NOT ADEQUATELY PROTECT OUR INTELLECTUAL PROPERTY, OUR BUSINESS MAY SUFFER, WE MAY LOSE REVENUE OR WE MAY BE REQUIRED TO SPEND SIGNIFICANT TIME AND RESOURCES TO DEFEND OUR INTELLECTUAL PROPERTY RIGHTS.

We regard the protection of our patents, trademarks, copyrights, trade secrets and other intellectual property as critical to our success. We rely on a combination of patent, copyright, trademark, service mark and trade secret laws and contractual restrictions to protect our proprietary rights, especially when it comes to writing FDA protocols for our clients. We have entered into confidentiality and non-disclosure agreements with our employees, contractors, and clients, and nondisclosure agreements with parties with whom we conduct business, in order to limit access to and disclosure of our proprietary information. These contractual arrangements and the other steps taken by us to protect our intellectual property may not prevent misappropriation of our intellectual protocols or deter independent third-party development of similar protocols.

Our competitors, hold their methodologies to write FDA protocols highly confidential. The more widely the Company prepares FDA protocols with outside clients, the more likely the Company's FDA protocols become vulnerable to duplication by the Company's competition. There are no assurances that the Company will be able to protect, even if it copyrights its protocols and writing methodologies, from the competition.

The steps we have taken to protect our proprietary rights may be inadequate and third parties may infringe or misappropriate our trade secrets, trademarks and similar proprietary rights. Any significant failure on our part to protect our intellectual property could make it easier for our competitors to offer similar services and thereby adversely affect our market opportunities. In addition, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of management and technical resources and may not be successful.

16

GOVERNMENT REGULATION COULD ADVERSELY EFFECT OUR PROFITABILITY.

The industry standards for the conduct of clinical research and development studies are embodied in the regulations for Good Clinical Practice ("GCP"). The FDA and other regulatory authorities require that results of clinical trials that are submitted to such authorities be based on studies conducted in accordance with GCP. These regulations require that IT&E, among other things: comply with specific requirements governing the selection of qualified investigators:

- o obtain specific written commitments from the investigators;

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

- o verify that appropriate patient informed consent is obtained;
- o monitor the validity and accuracy of data;
- o instruct investigators and studies staff to maintain records and reports;
- o permit appropriate governmental authorities access to data for their review.

IT&E must also maintain reports for each study for specified periods for auditing by the study sponsor and by the FDA. IT&E is liable to its clients for any failure to conduct their studies properly according to the agreed upon protocol and contract. If IT&E fails to conduct a study properly in accordance with the agreed upon procedures, IT&E may have to repeat the study at its expense, reimburse the client for the cost of the study and pay additional damages. Further, if IT&E fails to meet government specifications with regards to record-keeping and protocol development, it could result in a major delay, for its clients to obtain FDA approval for their pharmaceutical product, and even negate a multi-million dollar client study, where it would be needed to be repeated from start. Compliance with government regulations to develop a proper study protocol and record-keeping methodologies, places a major burden on the Company. Failure to do so, can result in loss of clients, liability to the Company from these clients, and loss of business.

IN FOREIGN COUNTRIES, INCLUDING EUROPEAN COUNTRIES, WE ARE ALSO SUBJECT TO GOVERNMENT REGULATION, WHICH COULD DELAY OR PREVENT OUR ABILITY TO SELL OUR SERVICES IN THOSE JURISDICTIONS.

In order for us to market our services in Europe and some other International jurisdictions, we and our agents must obtain required regulatory registrations or approvals. We must also comply with extensive regulations regarding safety, efficacy and quality in those jurisdictions. We may not be able to obtain the required regulatory registrations or approvals, or we may be required to incur significant costs in obtaining or maintaining any regulatory registrations or approvals we receive. Delays in obtaining any registrations or approvals required to market our services, failure to receive these registrations or approvals, or future loss of previously obtained registrations or approvals would limit our ability to sell our services internationally.

17

A SIGNIFICANT NUMBER OF OUR SHARES WILL BE ELIGIBLE FOR SALE AND THEIR SALE OR POTENTIAL SALE MAY DEPRESS THE MARKET PRICE OF OUR COMMON STOCK.

Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock. This prospectus covers 11,200,000 shares of our common stock, which represents approximately 57.8% of our currently outstanding 19,000,000 shares of common stock. As additional shares of our common stock become available for resale in the public market pursuant to this offering and otherwise, the supply of our common stock will increase, which could decrease its price. Some or all of the shares of common stock may be offered from time to time in the open market pursuant to Rule 144, and these sales may have a depressive effect on the market for our shares of common stock. In general, a person who has held restricted shares for a period of one year may, upon filing with the SEC a notification on Form 144, sell into the market common stock in an amount equal to the greater of 1%

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

of the outstanding shares or the average weekly number of shares sold in the last four weeks prior to such sale. Such sales may be repeated once each three months, and any of the restricted shares may be sold by a non-affiliate after they have been held two years. Approximately, 1,500,000 of these restricted common shares are currently eligible for sale under Rule 144K, and another approximately 800,000 restricted shares which been held by non-affiliates for the past one year are currently eligible for sale under Rule 144.

ISSUANCE OF STOCK TO FUND OUR OPERATIONS MAY DILUTE YOUR INVESTMENT AND REDUCE YOUR EQUITY INTEREST.

We may need to raise capital in the future. We could face unforeseen costs, or our revenues could fall. We do not have any currently identified sources of additional capital on which we could rely if we find our revenues and the offering proceeds are insufficient to fund our operations. New sources of capital may not be available to us when we need it or may be available only on terms we would find unacceptable. If such capital is not available on satisfactory terms or is not available at all, we may be unable to continue to fully develop our business, and our operations and our financial condition may be materially and adversely affected. Debt financing, if obtained, could increase our expenses and would be required to be repaid regardless of operating results. Equity financing, if obtained, could result in dilution to our existing stockholders

WE MAY PURSUE STRATEGIC ACQUISITIONS OR INVESTMENTS IN NEW MARKETS AND MAY ENCOUNTER RISKS ASSOCIATED WITH THESE ACTIVITIES THAT COULD HARM OUR BUSINESS AND OPERATING RESULTS.

We may pursue acquisitions of, or investments in, businesses and assets in new markets that we believe will complement or expand our existing business or our customer base. Our acquisition strategy involves a number of risks, including:

18

- o difficulty in successfully integrating acquired operations, personnel, technology, customers, partner relationships, services and businesses with our operations;
- o loss of key employees of acquired operations or inability to hire key employees necessary for our expansion;
- o diversion of our capital and management attention away from other business issues;
- o an increase in our expenses and working capital requirements; and
- o other financial risks, such as potential liabilities of the businesses we acquire.

Our growth may be limited and our competitive position may be harmed if we are unable to identify, finance and complete future acquisitions. There can be no assurance that we will be able to identify, negotiate or finance future acquisitions successfully. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities, amortization expenses related to goodwill and other

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

intangible assets, a decrease in profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business. Our future acquisitions or investments may not be successful, and if we fail to realize the anticipated benefits of these acquisitions or investments, our business and operating results could be harmed.

THE ACTUAL OR ANTICIPATED RESALE BY THE SELLING STOCKHOLDER OF SHARES OF OUR COMMON STOCK MAY CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DECLINE.

The resale of our common stock by the selling stockholder through open market transactions or other means may, depending upon the timing of the resales, depress the market price of our common stock. There are no lock-up or other restriction on the resale of this stock. Moreover, actual or anticipated downward pressure on the market price of our common stock due to actual or anticipated resales of our common stock could cause some institutions or individuals to engage in short sales of our common stock, which may itself cause the market price of our common stock to decline.

OVERHANG ON THE EXERCISE OF WARRANTS AND THE SALE OF COMMON SHARES BY LAURUS COULD DEPRESS OUR STOCK PRICE.

Laurus, the selling shareholder, have indicated that they are acting independently of us in determining the manner and extent of sales of the common shares and warrants included in this offering. We will receive none of the proceeds of such sales. Such sales of our common shares and warrants by Laurus, or the perception that those sales may occurs, could cause the trading price of our stock to decrease or to be lowered than it might be in the absence of those sales or perceptions.

19

Further, Laurus, as the selling shareholder, could impede our future capital raising. Laurus has a right of first refusal on future financing, which places restrictions on our financing activity. This financing arrangement with Laurus gives them control over the company, as a result of its holding a large interest in it; and there is an overhang created by our maintenance of an effective resale registration statement regarding a number of shares that exceeds your public float. The sale of their shares will have a dilutive impact on our stockholders. As a result, our net income per share could decrease in future periods, and the market price of our common stock could decline. Additionally, we have a lack of control over the \$2.5 million, which Laurus has placed in the restricted account.

IF WE ARE UNABLE TO DEVELOP OUR SERVICES WITH ANY COLLABORATIVE PARTNERS, WE MAY BE REQUIRED TO ACCESS ADDITIONAL CAPITAL AND TO DEVELOP ADDITIONAL SKILLS TO PRODUCE, MARKET AND DISTRIBUTE OUR SERVICES.

If we are unable to develop our services with any collaborative partner we would need to seek direct funding to develop and commercialize our services. These activities require additional resources and capital that we will need to secure. There is no assurance that we will be able to raise sufficient capital or attract and retain skilled personnel to enable us to finish development,

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

launch and market these specialized services. Thus, there can be no assurance that we will be able to commercialize any such product.

OUR SUCCESS DEPENDS ON OUR ABILITY TO ATTRACT AND RETAIN SCIENTIFIC, TECHNICAL, MANAGERIAL AND FINANCE PERSONNEL.

Our ability to operate successfully and manage our future growth depends in significant part upon the continued service of key scientific, technical, and managerial personnel, as well as our ability to attract and retain additional highly qualified personnel in these fields. We may not be able to attract and retain key employees when necessary, which would limit our operations and growth.

20

INVESTORS IN OUR SECURITIES MAY SUFFER DILUTION.

The issuance of shares of Common Stock, or shares of Common Stock underlying warrants, options or preferred stock or convertible notes will dilute the equity interest of existing shareholders and could have a significant adverse effect on the market price of our Common Stock. The sale of Common Stock acquired at a discount could have a negative impact on the market price of our Common Stock and could increase the volatility in the market price of our Common Stock. In addition, we may seek additional financing which may result in the issuance of additional shares of our Common Stock and/or rights to acquire additional shares of our Common Stock. The issuance of our Common Stock in connection with such financing may result in substantial dilution to the existing holders of our Common Stock. Those additional issuances of Common Stock would result in a reduction of your percentage interest in our company.

WE ARE SIGNIFICANTLY INFLUENCED BY OUR DIRECTORS, EXECUTIVE OFFICERS.

Our directors and executive officers beneficially owned an aggregate of approximately 57.9% of our outstanding Common Stock as of September 30, 2004. These shareholders, acting together, would be able to exert significant influence on substantially all matters requiring approval by our shareholders, including the election of directors and the approval of mergers and other business combination transactions.

LOW-PRICED STOCKS THAT MAY AFFECT YOUR ABILITY TO RESELL YOUR SHARES.

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

The SEC has adopted rules that regulate broker/dealer practices in connection with transactions in penny stocks. Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange system). The penny stock rules require a broker/dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer also must provide the customer with bid and offer quotations for the penny stock, the compensation of the broker/dealer, and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from such rules, the broker/dealer must make a special written determination that a penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in any secondary market for a stock that becomes subject to the penny stock rules, and accordingly, customers in Company securities may find it difficult to sell their securities, if at all.

21

Market For Company's Common Stock

(i) Market Information

The Company's Common Stock is traded on the OTC Bulletin Board under the symbol "ITER." There has been limited trading activity in the Common Stock. There are no assurances trading activity will take place in the future for the Company's Common Stock.

(a) There are currently 2,000,000 warrants for shares of Common Stock which are subject to conversion on a one-to-one basis. These are five year warrants, which include piggyback registration rights on the underlying stock, with an exercise price of to be mutually determined by the Board of Directors and Warrant Holder(s), the exercise date is not sooner than one year and not later than five years, ending April, 2009. There are no outstanding options to purchase, or securities convertible into, the Company's common stock.

(b) There are currently 1,875,000 shares common stock of the Company which could be sold under Rule 144k under the Securities Act of 1933, as amended.

(c) The Company did not repurchase any of its shares during the second quarter of the fiscal year covered by this report.

(ii) Dividends

Holders of common stock are entitled to receive such dividends as the board of directors may from time to time declare out of funds legally available for the payment of dividends. No dividends have been paid on our common stock, and we do not anticipate paying any dividends on our common stock in the foreseeable future.

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

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.

22

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 Registration and 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, dependence on continued growth in the irrigation industry, potential fluctuations in quarterly operating results and expenses, government regulation dealing with irrigation systems, 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.

Item 3. Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

23

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is not a party to any legal proceedings.

ITEM 2. Changes in Securities and Use of Proceeds

On October 18, 2004, the Registrant, entered into a Securities Purchase Agreement with and Laurus Master Funds, Ltd., an accredited investor. Pursuant to the Agreement, the Registrant sold to Laurus a Secured Convertible Term Note in an aggregate principal amount of \$5,000,000 and issued a warrant to purchase up to 1,924,000 shares of the Company's common stock. The Company may issue to Laurus an additional note up to \$2,000,000 prior to July 15, 2005. The funds from the Note will be used to pay off the Company's existing debt in the amount of \$1,500,000 and for working capital; provided, however, \$2,500,000 has been placed in a restricted cash account to be distributed in accordance with the terms and condition of the Restricted Account Agreement dated October 18, 2004. The Agreement also grants Laurus a right of first refusal to participate in any future issuance of debt or equity securities by the Company. (See Current Report, dated October 18, 2004, filed with the Commission.)

ITEM 3. Defaults upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

During the quarter ended, no matters were submitted to the Company's security holders.

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit

Number Title of Document

31.1 Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Edgar Filing: IT&E INTERNATIONAL GROUP - Form 10QSB/A

32.1 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K, during the Quarter ended September 30, 2004.

The Company filed a Current Report dated October 18, 2004, pursuant to Item 1.01; ("Entry into a Material Definitive Agreement"); Item 3.02 ("Unregistered Sales of Equity Securities"); and Item 9.01 ("Exhibits").

24

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

IT&E International Group

(Registrant)

Dated: May 4, 2005

By: /s/ Peter R. Sollenne

Peter R. Sollenne
Chief Executive Officer
Director

Dated: May 4, 2005

By: /s/ Kelly Alberts

Kelly Alberts
President/COO

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.

IT&E International Group

Dated: May 4, 2005

By: /s/ Peter R. Sollenne

Peter R. Sollenne
Chief Executive Officer
Director

Dated: May 4, 2005

By: /s/ Kelly Alberts

Kelly Alberts
President/COO

25