

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

IT&E INTERNATIONAL GROUP
Form 10QSB
May 13, 2005

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 March 31, 2005.

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,
19,083,330 issued and outstanding as of March 31, 2005. Preferred Stock,
\$0.001 par value per share, 5,000,000 shares authorized, 2,820,000 issued
and outstanding as of March 31, 2005.

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

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..... | 15 |

PART II. OTHER INFORMATION

| | | |
|---------|---|----|
| Item 1. | Legal Proceedings..... | 16 |
| Item 2. | Changes in Securities and Use of Proceeds..... | 16 |
| Item 3. | Defaults upon Senior Securities..... | 16 |
| Item 4. | Submission of Matters to a Vote of Security Holders..... | 16 |
| Item 5. | Other Information..... | 16 |
| Item 6. | Exhibits and Reports on Form 8-K..... | 16 |
| | Signatures..... | 17 |

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 for the three months ended March 31, 2005. 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 three months ended March 31, 2005, follow.

IT&E INTERNATIONAL GROUP
BALANCE SHEETS

BALANCE SHEETS

| | March 31, 2005 (unaudited) | December 31, 2004 |
|--|----------------------------------|----------------------|
| | ----- | ----- |
| Assets | | |
| Current assets | | |
| Cash - unrestricted | \$ 824,304 | \$ 402,779 |
| Cash - restricted | 2,522,922 | 2,506,862 |
| Accounts receivable, net of allowance for doubtful accounts of \$75,000 | 2,309,555 | 2,644,501 |
| Unbilled revenue | 335,853 | 133,398 |
| Prepaid and other current assets | 182,907 | 77,175 |
| | ----- | ----- |
| Total current assets | 6,175,541 | 5,764,715 |
| | ----- | ----- |
| Fixed assets, net | 308,586 | 313,435 |
| Loan fees, net | 734,863 | 807,144 |
| Deposits | 28,881 | 33,724 |
| | ----- | ----- |
| | \$ 7,247,871 | \$ 6,919,018 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 469,718 | \$ 612,647 |
| Accrued payroll and employee benefits | 634,944 | 322,300 |
| Current portion of capital lease obligations | 3,164 | 3,089 |
| Current portion of convertible note payable | 916,663 | 666,667 |
| Accrued interest and fees owed on note payable | 326,881 | - |
| Deferred rent | 28,738 | 30,293 |
| Other accrued liabilities | 70,834 | 43,054 |
| | ----- | ----- |
| Total current liabilities | 2,450,942 | 1,678,050 |
| | ----- | ----- |
| Long-term capital lease obligations, less current portion | 15,456 | 16,015 |
| Long-term convertible note payable, less current portion | 4,083,337 | 4,333,333 |
| | ----- | ----- |

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

| | | |
|---|--------------|--------------|
| | 6,549,735 | 6,027,398 |
| Stockholders' equity | | |
| Common stock, \$0.001 par value, 70,000,000 shares authorized, 19,083,330 shares issued and outstanding | 19,083 | 19,000 |
| Preferred stock, Series C, \$0.001 par value, 5,000,000 shares authorized, 2,820,000 issued and outstanding | 2,820 | 2,820 |
| Additional paid-in capital | 925,137 | 862,720 |
| Retained earnings | (248,904) | 7,080 |
| | ----- | ----- |
| | 698,136 | 891,620 |
| | ----- | ----- |
| | \$ 7,247,871 | \$ 6,919,018 |
| | ===== | ===== |

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

4

IT&E INTERNATIONAL GROUP
STATEMENTS OF OPERATIONS
(Unaudited)

STATEMENTS OF OPERATIONS

| | For the three months ended March 31, | |
|-------------------------------------|---|------------------------|
| | ----- 2005 ----- | ----- 2004 ----- |
| Service revenue | \$ 4,446,580 | \$ 3,145,018 |
| Reimbursement revenue | 98,346 | 60,662 |
| | ----- | ----- |
| Total revenue | 4,544,926 | 3,205,680 |
| Cost of revenue | 3,014,611 | 1,997,354 |
| Reimbursable out-of-pocket expenses | 98,346 | 60,662 |
| | ----- | ----- |
| Gross profit | 1,431,969 | 1,147,664 |
| Operating Expenses: | | |
| General and administrative expenses | 814,189 | 511,603 |
| Sales and marketing expenses | 230,682 | 256,047 |
| Depreciation expense | 17,148 | 4,968 |
| Officer salaries | 185,462 | 98,752 |
| | ----- | ----- |
| Total operating expenses | 1,247,481 | 871,370 |
| | ----- | ----- |
| Net operating income | 184,488 | 276,294 |
| Other income (expense): | | |
| Interest income | 16,060 | - |
| Interest expense | (100,339) | (21,686) |

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

| | | |
|---|--------------|------------|
| Loan fee amortization | (72,281) | - |
| Fees on long-term debt | (221,412) | - |
| Non-cash financing costs | (62,500) | - |
| Other income (expense) | - | 14,490 |
| | ----- | ----- |
| Total other income (expense) | (440,472) | (7,196) |
| Income (loss) before provision for income taxes | (255,984) | 269,098 |
| Provision for state income taxes | - | - |
| | ----- | ----- |
| Net income (loss) | \$ (255,984) | \$ 269,098 |
| | ===== | ===== |
| Weighted average number of common shares outstanding | 19,022,221 | 11,000,000 |
| | ===== | ===== |
| Net income per share - basic and fully diluted | \$ (0.01) | \$ 0.02 |
| | ===== | ===== |

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

5

IT&E INTERNATIONAL GROUP
STATEMENTS OF CASH FLOW
(Unaudited)

STATEMENTS OF CASH FLOWS

| | For the three months ended March 31, | |
|---|---|------------|
| | 2005 | 2004 |
| | ----- | ----- |
| Cash flows from operating activities | | |
| Net income (loss) | \$ (255,984) | \$ 269,098 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation expense | 17,148 | 4,968 |
| Amortization of loan fees | 72,281 | - |
| Deferred rent | (1,555) | - |
| Stock issued for financing costs | 62,500 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | 334,946 | (541,883) |
| Unbilled revenue | (202,455) | - |
| Prepaid and other current assets | (105,732) | - |
| Accounts payable | (142,929) | 237,541 |
| Accrued payroll and employee benefits | 312,644 | 78,540 |
| Accrued interest and fees owed on a note payable | 326,881 | - |
| Other current liabilities | 27,780 | 12,490 |

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

| | | |
|--|--------------|------------|
| Net cash provided by operating activities | 445,525 | 60,754 |
| Cash flows from investing activities | | |
| Purchase of fixed assets, including internal-use software | (12,299) | (156,576) |
| Deposits | 4,843 | (1,450) |
| Net cash (used) by investing activities | (7,456) | (1,450) |
| Cash flows from financing activities | | |
| Proceeds from line of credit, net | - | 143,000 |
| Payments on capital lease obligations | (484) | - |
| Distributions to shareholders | - | (3,700) |
| Net cash provided(used)by financing activities | (484) | 139,300 |
| Net increase in cash and cash equivalents | 437,585 | 42,028 |
| Cash and cash equivalents, beginning of period | 2,909,641 | 173,236 |
| Cash and cash equivalents, end of period | \$ 3,347,226 | \$ 215,264 |
| Supplemental disclosures: | | |
| Interest paid | \$ 32,222 | \$ - |
| Income taxes paid | \$ - | \$ - |

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

IT&E INTERNATIONAL GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

In this discussion, the terms "Company", "we", "us", and "our", refer to IT&E International Group and subsidiaries, except where it is made clear otherwise.

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.

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

We were incorporated in the State of Nevada in 2002 as Clinical Trials Assistance Corporation. In April 2004, we merged with IT&E International, Inc. and changed our name to IT&E International Group.

2. 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 us, 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 we believe 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 our consolidated financial statements for the year ended December 31, 2004 and the notes thereto. We have followed the same accounting policies in the preparation of these consolidated interim reports.

Results of operations for the interim periods are not indicative of annual results. Certain amounts in the 2004 financial statements have been reclassified to conform to the presentation of the 2005 financial statements.

7

IT&E INTERNATIONAL GROUP NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. FIXED ASSETS

During the quarter ended March 31, 2005, we had \$12,299 of fixed asset additions.

Depreciation expense totaled \$17,148 and \$4,968 for the three months ended March 31, 2005 and 2004, respectively.

4. CONVERTIBLE DEBT

We have outstanding a \$5,000,000 secured convertible term note to Laurus Master Fund, Ltd ("Laurus"). \$2.5 million of these funds were placed into a restricted cash account is under the sole dominion and control of Laurus as security for our obligations. During the quarter, as a result of not meeting the requirement of causing the registration statement covering the shares of our common stock into which the principal and interest under the Note are convertible to become effective, we have incurred fees of approximately \$221,000. During April 2005, Laurus released \$500,000 of the restricted funds to pay these fees, along with the accrued interest owed on those funds. The remaining \$267,000 will be used for general operating procedures. The minimum monthly principal repayment of \$100,000 began on May 1, 2005 and will continue

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

through the October 18, 2007 maturity date.

We recorded interest expense of approximately \$100,000 for the three months ended March 31, 2005 related to this convertible note, and approximately \$22,000 for the three months ended March 31, 2004 related to a bank line of credit that was paid off with the proceeds of the Laurus note.

5. STOCKHOLDER'S EQUITY

During March 2005, 83,330 shares of common stock were issued to SBI USA as payment for investment banking consulting services valued at \$62,500.

8

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information discussed below is derived from the Financial Statements included in this Form 10-QSB for the three months ended March 31, 2005, and should be read in conjunction therewith. Our results of operations for a particular quarter may not be indicative of results expected during subsequent quarters or for the entire year.

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. We are managed in one reportable segment.

Our contracts are primarily time and materials contracts that recognize revenue as hours are worked based on the hourly billing rates for each contract.

We incur out-of-pocket costs in excess of contract amounts. These out-of-pocket costs are generally reimbursable by our customers. We include out-of-pocket costs as reimbursement revenues and reimbursable out-of-pocket expenses in the Statements of Operations.

Cost of revenue consists of compensation and related fringe benefits for our project-related staff, as well as for externally contracted personnel. Sales and marketing expenses consist of compensation and related fringe benefits for sales and marketing personnel, along with their out-of-pocket costs, as well as other costs such as advertising and trade shows. General and administrative expenses consist of compensation and related fringe benefits for administrative personnel, outside professional costs, facility costs and other costs.

Our industry continues to be dependent on the research and development efforts of pharmaceutical and biotechnology companies as major customers, and we believe this dependence will continue. The loss of business from any of our

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

major customers could have a material adverse effect on us.

9

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 acquisition opportunities, management will consider, to the extent applicable, the available technical, financial and managerial resources of any 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.

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.

Though the overall outlook for our continued financial growth remains very positive as our pipeline for new customers remains solid, our results of operations are subject to volatility due to a variety of factors. The cancellation or delay of contracts and cost overruns could have short-term adverse affects on the financial statements. Fluctuations in the ability to maintain large customer contracts or to enter into new contracts could hinder our long-term growth. In addition, our aggregate backlog, consisting of signed contracts and letters of intent, is not necessarily a meaningful indicator of future results. Accordingly, no assurance can be given that we will be able to realize the service revenues included in our backlog.

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.

10

Results of Operations

Service Revenues

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

Service revenues for the first quarter ended March 31, 2005, were \$4.4 million, an increase of 41.4% from the same quarter last year of \$3.2 million. This is the second consecutive quarter that we have achieved same quarter revenue growth in excess of 40%. Service revenue for this quarter also represents an increase of 10.3% from the \$4 million service revenue earned during the fourth quarter of 2004. This increase in revenue is a result in our change in sales strategy to target major pharmaceutical and biotechnology customers. We also 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. In addition, we have secured renewals and extensions of major initiatives within existing clients, such as Schering-Plough, Pfizer, Novartis, GlaxoSmithKline, Baxter Pharmaceutical, Aventis Pasteur, Bayer, Wyeth Global, Genentech, Chiron, Amgen, Boston Scientific and VaxGen.

Reimbursement Revenues

Reimbursable out-of-pocket revenues fluctuate from period to period, primarily due to the level of service activity in a particular period. Reimbursement revenues increased 62% to \$98,000 in the first quarter of 2005 from \$61,000 in the same quarter of 2004.

Operating Expenses

Cost of revenues increased approximately \$1.0 million, or 51%, to \$3.0 million in the first quarter of 2005 from \$2.0 million during the first quarter of 2004. Gross profit as a percentage of service revenues were 32.2% for the first quarter of 2005 as compared to 36.5% during the same period in 2004. During the quarter we earned lower margins than in 2004 as a result of servicing contracts in which we initially took lower margins to secure selected new business. We are working to improve these margins by way of controlling the cost of providing our contractors to the customer.

General and administrative expenses increased by approximately \$303,000, or 59%, to \$814,000 during the first quarter of 2005 as compared to \$512,000 during the first quarter of 2004. This increase is primarily the result of increased costs associated with being a public company that we did not have in 2004, as well as costs incurred to add depth to our management team, and for outside consultants to assist us with our merger and acquisition strategy. We expect these costs to continue during the second quarter and throughout 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.

Sales and marketing expenses decreased by \$25,000, or 10%, to \$231,000 in the first quarter of 2005 from \$256,000 during the first quarter of 2004.

11

Depreciation and amortization expense increased to \$17,000 in 2005 from \$5,000 in 2004. The increase is due to our beginning to depreciate our developed internal-use software during the first quarter of 2005.

Officer salaries increased to \$185,000 in 2005 from \$99,000 in 2005, an increase of 87%. During 2004, the cash situation was such that the officers did not pay themselves on a regular basis in order to pay other company commitments.

Other Income (Expense)

We did not earn any interest income during the first quarter of 2004 due to our cash situation. Interest income began to be earned when the \$5 million convertible note with Laurus Master Fund, Ltd ("Laurus") occurred in October 2004.

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

Interest expense increased to approximately \$100,000 during the first quarter of 2005 from \$22,000 during the same period of 2004. This increase is the result of moving from a \$1.5 million bank line of credit to the \$5 million convertible note with Laurus.

Loan fee amortization was approximately \$72,000 for the first quarter of 2005. The loan fee costs were incurred related to the \$5 million convertible note with Laurus.

During the first quarter of 2005, we incurred fees to Laurus as a result of not meeting the requirement of causing the registration statement covering the shares of our common stock into which the principal and interest under the note are convertible to become effective. During April 2005, Laurus released \$500,000 of the restricted funds to pay these fees, along with the accrued interest on those funds. In addition, the requirement to have the registration statement become effective was extended to June 15, 2005 before any additional fees are incurred.

During the first quarter of 2005, we issued 83,330 shares of our common stock to SBI USA as payment for investment banking consulting services valued at \$62,500.

Liquidity and Capital Resources

Cash and cash equivalents increased by approximately \$438,000 for the three months ended March 31, 2005. At March 31, 2005, cash and cash equivalents amounted to approximately \$3.3 million, of which approximately \$2.5 million was restricted.

Accounts receivable at March 31, 2005 was \$2.3 million, net of an allowance for doubtful accounts of \$75,000, as compared to accounts receivable at December 31, 2004 of \$2.6 million, net of an allowance for doubtful accounts of \$75,000. The decrease was due primarily to increased activity in bringing our accounts receivable more current. We review our outstanding receivables on a monthly basis to determine collectibility, and we believe that maintaining our allowance at \$75,000 is proper due the number of well-established customers that we are servicing.

12

Unbilled revenues are receivables recognized as revenue for which invoices have not been sent to customers. At March 31, 2005, unbilled revenues were approximately \$336,000.

10

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.

Total Current Assets at March 31, 2005 were approximately \$6.2 million as compared to approximately \$5.8 million as of December 31, 2004.

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

Total Current Liabilities at March 31, 2005 were approximately \$2.4 million as compared to approximately \$1.7 million at December 31, 2004. This increase is primarily the result of an increase in accrued payroll and employee benefits, an increase in the current portion owed on the note payable to Laurus since principal payments begin on May 1, 2005, and an increase in accrued interest and fees owed on the note to Laurus.

Total Liabilities at March 31, 2005 were approximately \$6.5 million as compared to \$6.0 million at December 31, 2004. Of the amount due at March 31, 2005, approximately \$5.3 million was due to Laurus.

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

Employees

At March 31, 2005, IT&E employed 90 employees. These employees represent the following employment mix for the company: 10% administration, 7% recruiting, 6% sales, and 77% contract service providers. Additionally, we utilize the services of approximately 30 outside consultants who work as independent contractors.

13

Market For Company's Common Stock

(i) Market Information

Our 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 our common stock.

We did not repurchase any of our shares during the first quarter of 2005.

(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.

Forward-Looking Statements

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

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 we expect or anticipate 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 our business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

However, whether actual results or developments will conform with our 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 us; changes in laws or regulation; and other factors, most of which are beyond our control.

14

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, our directors or our officers with respect to, among other things: (i) trends affecting our financial condition or results of operations for our limited history; (ii) our business and growth strategies; and, (iii) our 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, our limited operating history, potential fluctuations in quarterly operating results and expenses, government regulation, technological change and competition.

Consequently, all of the forward-looking statements made in this Form 10-QSB are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or our business or operations. We assume 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, we Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of our 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

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

evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit 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 our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

15

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

We are not a party to any legal proceedings.

ITEM 2. Changes in Securities and Use of Proceeds

During the first Quarter ending March 31, 2005, the Registrant issued 83,330 restricted common shares to SBI, USA as fees for investment banking consulting services. The restricted shares will not be registered under the Securities Act of 1933, as amended (the "Act") and will be issued in the reliance upon the exemption from registration provided by section 4(2) of the Act, on the basis that the issuance of these shares do not involve a public offering.

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 our 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 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certifications of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- |

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

Oxley Act of 2002

(b) Reports on Form 8-K, during the Quarter ended March 31, 2005.

We did not file any Current Reports during the Quarter ended March 31, 2005.

16

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 13, 2005

By: /s/ Peter R. Sollenne

Peter R. Sollenne
Chief Executive Officer
Director

Dated: May 13, 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 13, 2005

By: /s/ Peter R. Sollenne

Peter R. Sollenne
Chief Executive Officer
Director

Dated: May 13, 2005

By: /s/ Kelly Alberts

Kelly Alberts
President/COO

17