IT&E INTERNATIONAL GROUP
Form 10QSB/A
April 11, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB/A

(Amendment No. 2)

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 000-50095

IT&E INTERNATIONAL GROUP, INC.

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

Delaware (State of other jurisdiction of incorporation or organization)	**20-4354185** (IRS Employer Identification No.)
505 Lomas Santa Fe Drive, Suite 200 **Solana Beach, CA** (Address of principal executive offices)	**92075** (Zip Code)

Issuer s telephone number, including area code: **(858) 366-0970**

(Former name, former address and former fiscal year, if changed since last report)

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 ý No o

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the Registrant filed all documents and reports required to be filed by Section l2, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes o No o

APPLICABLE ONLY TO CORPORATE ISSUERS

Common Stock, $0.001 par value per share, 250,000,000 shares authorized, 21,344,198 issued and outstanding as of September 30, 2005.
Preferred Stock, $0.001 par value per share, 2,820,000 shares authorized, issued and outstanding as of September 30, 2005.

Transitional Small Business Disclosure Format (Check one): Yes o No ý

Explanatory Note

On March 28, 2006, the Audit Committee of our Board of Directors, in connection with the preparation of our year-end financial statements, determined that the errors identified by management and described below with respect to our financial statements for: (i) the year ended December 31, 2004, (ii) each of the quarters ended March 31, June 30, and September 30, 2005, and (iii) each of the quarters ended June 30 and September 30, 2004, were such that the financial statements related to the foregoing periods should no longer be relied upon.

IT&E International Group, Inc. (the Company) is filing this Amendment No. 2 on Form 10-QSB/A to the quarterly report on Form 10-QSB for the three and nine months ended September 30, 2005 that was originally filed on November 14, 2005 (the Original Form 10-QSB) by IT&E International Group, a Nevada corporation and the predecessor to IT&E International Group, Inc., and amended and refiled on November 16,2005 to correct an error that was discovered related to the deferral of income taxes associated with a required change in the method of recognizing income and expenses for purposes of our tax returns at the time of the merger between IT&E International Group and Clinical Trials Assistance Corp. in April of 2004. At such time, we were required to recognize income and expenses on an accrual basis rather than a cash basis of accounting. As a result, we have determined that a deferred tax liability of $581,106 should have been recognized in the quarter ended June 30, 2004 with a corresponding charge to deferred tax expense. This deferred tax liability should have then been adjusted in the quarter ended December 31, 2004 to $440,641 resulting in the recognition of $140,465 of deferred tax benefit. In addition, for each of the first three quarters of 2005, a deferred tax liability of $440,641 should have been included on the respective period end balance sheets. This adjustment has no impact on our actual cash flows; however, it will result in some reclassifications within the statements of cash flows for the applicable periods.

In addition, in the course of preparing our year-end financial statements, it was determined that $220,000 of relocation expenses recorded as such in the fourth quarter of 2005 should have been recorded as such in the second quarter of 2005 because our Board of Directors formally approved of such expenses in April 2005, and that $88,124 of expenses that were recorded as such in the fourth quarter of 2005 should have been recorded as such in the third quarter of 2005, the quarter in which the services were provided to us, even though the invoices related to such expenses were not received by us until the fourth quarter due to delays in invoicing by the applicable vendor.

The section of this 10-QSB/A entitled, Management s Discussion and Analysis of Financial Condition and Results of Operations, Notes 2 and 5 to the financial statements included herein and Item 3 of Part I have been amended to reflect the foregoing.

While this Amendment No. 2 does not update any other information contained in the Original Form 10-QSB or Amendment No. 1, for the convenience of the reader, this Amendment No. 2 amends in its entirety the Original Form 10-QSB as amended by Amendment No. 1. This Amendment No. 2 continues to speak as of the date of the Original Form 10-QSB, and, except for Item 3 of Part I of this Amendment No. 2, the Company has not updated the disclosure contained herein to reflect any events that have occurred after that date.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements and Exhibits

As prescribed by Item 310 of Regulation S-B, the registered independent public accounting firm has reviewed these unaudited interim financial statements of the registrant for the three and nine months ended September 30, 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 and nine months ended September 30, 2005, follow.

IT&E INTERNATIONAL GROUP

Balance Sheets

	September 30, 2005 (unaudited and restated)	December 31, 2004 (restated)
Assets		
Current assets		
Cash	$ 2,177,026	$ 402,779
Accounts receivable, net of allowance for doubtfully accounts of $75,000 at September 30, 2005 and December 31, 2004	2,418,511	2,644,501
Unbilled revenue	79,312	133,398
Prepaid and other current assets	228,614	77,175
Total current assets	4,903,463	3,257,853
Fixed assets, net	265,956	313,435
Loan fees, net	590,299	807,144
Deposits	11,679	33,724
	$ 5,771,397	$ 4,412,156
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 394,662	$ 380,265
Accrued payroll and employee benefits	489,029	322,300
Current portion of capital lease obligations	3,441	3,089
Current portion of convertible note payable	2,123,077	666,667
Accrued interest on note payable	41,285	
Deferred rent	24,927	30,293
Deferred tax liability	440,641	440,641
Other accrued liabilities	423,021	236,981
Total current liabilities	3,940,083	2,080,236
Long-term capital lease obligations, less current portion	13,388	16,015
Long-term convertible note payable, less current portion	2,300,000	1,833,333
	6,253,471	3,929,584
Stockholders equity:		
Common stock, $.001 par value, 250,000,000 shares authorized, 21,344,198 and 19,000,000 shares issued and outstanding, respectively	21,344	19,000
Preferred stock, $.001 pare value, 2,820,000 shares authorized, 2,820,000 and 2,000,000 shares issued and outstanding, respectively	2,820	2,000
Additional paid-in capital	1,124,676	863,540
Retained deficit	(1,630,914)	(401,968)
	(482,074)	482,572
	$ 5,771,397	$ 4,412,156

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

IT&E INTERNATIONAL GROUP

Statements of Operations

(Unaudited and Restated)

	For the three months ended September 30, 2005	2004	For the nine months ended September 30, 2005	2004
Service revenue	$ 4,292,422	$ 3,038,582	$ 13,036,358	$ 9,404,394
Reimbursement revenue	146,878	116,552	379,833	320,737
Total revenue	4,439,300	3,155,134	13,416,191	9,725,131
Cost of revenue	2,963,866	2,410,783	8,985,323	6,693,321
Reimburseable out-of-pocket expenses	146,878	116,552	379,833	320,737
Total cost of sales	3,110,744	2,527,335	9,365,156	7,014,058
Gross profit	1,328,556	627,799	4,051,035	2,711,073
Operating Expenses:				
General and administrative expenses	852,437	710,250	2,635,622	1,918,475
Sales and marketing expenses	296,392	252,693	988,273	698,924
Depreciation expense	23,742	4,677	66,491	14,314
Officer compensation	329,739	108,750	778,582	326,250
Total operating expenses	1,502,310	1,076,370	4,468,968	2,957,963
Net operating income	(173,754)	(448,571)	(417,933)	(246,890)
Other income (expense):				
Interest income	56,013		58,331	
Interest expense	(230,172)	(18,568)	(375,960)	(49,032)
Loan fee amortization	(72,282)		(216,845)	
Fees on long-term debt	0		(214,039)	
Non-cash financing costs	0		(62,500)	
Bad debt expense	0	32,359		32,359
Total other income (expense)	(246,441)	13,791	(811,013)	(16,673)
Loss before provision for income taxes	(420,195)	(434,780)	(1,228,946)	(263,563)
Provision for income taxes				(581,106)
Net loss	$ (420,195)	$ (434,780)	$ (1,228,946)	$ (844,669)
Weighted average number of common shares outstanding basic and fully diluted	21,344,198	19,000,000	20,412,124	19,000,000
Net loss per share basic and fully diluted	$ (0.02)	$ (0.02)	$ (0.06)	$ (0.04)

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

IT&E INTERNATIONAL GROUP

Statements of Cash Flow

(Unaudited and Restated)

	For the nine months ended September 30, 2005	2004
Cash flows from operating activities:		
Net loss	$ (1,228,946)	$ (844,669)
Adjustments to reconcile net income (loss) to Net cash provided from (used by) operating activities:		
Depreciation expense	66,491	14,314
Bad debt expense		32,359
Amortization of loan fees	216,845	
Deferred rent	(5,366)	
Stock issued for financing costs	62,500	
Stock issued for compensation	200,000	
Changes in assets and liabilities:		
Accounts receivable	225,990	(633,240)
Unbilled revenue	54,086	
Prepaid and other current assets	(151,439)	(31,895)
Accounts payable	14,397	306,175
Accrued payroll and employee benefits	166,729	252,565
Accrued interest on note payable	41,285	
Deferred tax liability		581,106
Other current liabilities	186,040	18,987
Net cash used by operating activities	(151,388)	(304,298)
Cash flows from investing activities:		
Purchase of fixed assets, including internal-use software	(19,012)	(201,306)
Deposits	22,045	(18,196)
Net cash provided from (used by) investing activities	3,033	(219,502)
Cash flows from financing activities:		
Proceeds from line of credit		688,000
Payments on line of credit		(48,865)
Proceeds from capital lease obligation		20,039
Payments on capital lease obligation	(2,275)	
Proceeds from convertible note payable	2,500,000	
Payments on convertible note payable	(576,923)	
Proceeds from exercise of warrants	1,800	
Distributions to shareholders		(16,850)
Net cash provided from financing activities	1,922,602	642,324
Net increase in cash and cash equivalents	1,774,247	118,524
Cash and cash equivalents, beginning of period	402,779	173,236
Cash and cash equivalents, end of period	$ 2,177,026	$ 291,760
Supplemental disclosures:		
Interest paid	$ 334,675	$ 49,032
Income taxes paid	$ 55,184	$ 2,212

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, Inc. and subsidiary, 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.

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

Restatement of Financial Statements

On March 28, 2006, the Audit Committee of our Board of Directors, in connection with the preparation of our year-end financial statements, determined that the errors identified by management and described below with respect to our financial statements for: (i) the year ended December 31, 2004, (ii) each of the quarters ended March 31, June 30, and September 30, 2005, and (iii) each of the quarters ended June 30 and September 30, 2004, were such that the financial statements related to the foregoing periods should no longer be relied upon.

IT&E International Group, Inc. (the Company) is filing this Amendment No. 2 on Form 10-QSB/A to the quarterly report on Form 10-QSB for the three and nine months ended September 30, 2005 that was originally filed on November 14, 2005 (the Original Form 10-QSB) by IT&E International Group, a Nevada corporation and the predecessor to IT&E International Group, Inc., and amended and refiled on November 16,2005 to correct an error that was discovered related to the deferral of income taxes associated with a required change in the method of recognizing income and expenses for purposes of our tax returns at the time of the merger between IT&E International Group and Clinical Trials Assistance Corp. in April of 2004. At such time, we were required to recognize income and expenses on an accrual basis rather than a cash basis of accounting. As a result, we have determined that a deferred tax liability of $581,106 should have been recognized in the quarter ended June 30, 2004 with a corresponding charge to deferred tax expense. This deferred tax liability should have then been adjusted in the quarter ended December 31, 2004 to $440,641 resulting in the recognition of $140,465 of deferred tax benefit. In addition, for each of the first three quarters of 2005, a deferred tax liability of $440,641 should have been included on the respective period end balance sheets. This adjustment has no impact on our actual cash flows; however, it will result in some reclassifications within the statements of cash flows for the applicable periods.

In addition, in the course of preparing our year-end financial statements, it was determined that $220,000 of relocation expenses recorded as such in the fourth quarter of 2005 should have been recorded as such in the second quarter of 2005 because our Board of Directors formally approved of such expenses in April 2005, and that $88,124 of expenses that were recorded as such in the fourth quarter of 2005 should have been recorded as such in the third quarter of 2005, the quarter in which the services were provided to us, even though the invoices related to such expenses were not received by us until the fourth quarter due to delays in invoicing by the applicable vendor.

The section of this 10-QSB/A entitled, Management s Discussion and Analysis of Financial Condition and Results of Operations, Notes 2 and 5 to the financial statements included herein and Item 3 of Part I have been amended to reflect the foregoing.

The effect on our previously issued financial statements are summarized as follows:

Balance Sheet as of September 30, 2005

	Previously Reported	Increase (Decrease)	Restated
Deferred Tax liability	$	$ 440,641	$ 440,641
Current Liabilities	3,191,318	748,765	3,940,083
Total Liabilities	5,504,706	748,765	6,253,471
Retained Deficit	(882,149)	(748,765)	(1,630,914)

Statement of Operations for the Three Months Ended September 30, 2005

	Previously Reported	Increase (Decrease)	Restated
Cost of Revenue	$ 2,886,019	$ 77,847	$ 2,963,866
General and Administrative Expenses	842,160	10,277	852,437
Net Loss	(332,071)	(88,124)	(420,195)

Statement of Operations for the Nine Months Ended September 30, 2005

	Previously Reported	Increase (Decrease)	Restated
Cost of Revenue	$ 8,907,476	$ 77,847	$ 8,985,323
General and Administrative Expenses	2,405,345	230,277	2,635,622
Net Loss	(920,822)	(308,124)	(1,228,946)
Net Loss Per Share Basic and Diluted	(0.05)	(0.01)	(0.06)

Statement of Operations for the Nine Months Ended September 30, 2004

	Previously Reported	Increase (Decrease)	Restated
Provision for Income Taxes	$	$ 581,106	$ 581,106
Net Loss	(263,563)	(581,106)	(844,669)

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.

3. FIXED ASSETS

During the nine months ended September 30, 2005 we had $19,012 of fixed asset additions.

Depreciation expense totaled $23,742 and $4,677 for the three months ended September 30, 2005 and 2004, respectively, and $66,491 and $14,314 for the nine months ended September 30, 2005 and 2004, respectively.

4. CONVERTIBLE DEBT

We have outstanding a $5,000,000 secured convertible term note to Laurus Master Fund, Ltd (Laurus). During October 2004, we issued $2,500,000 of this note. During the first quarter of 2005, 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 incurred fees of approximately $214,000. During April 2005, Laurus issued an additional $500,000 to pay these fees, along with the accrued interest owed on the $500,000 which was not due until issued. During August 2005, Laurus released the remaining $2 million, plus the interest that had been earned on these funds since October 2004. Of this amount, approximately $128,000 was used to pay interest that had been accruing under the note owed to Laurus. The remaining $1.9 million is intended to be used for potential merger and acquisition activity, as well as other general operating purposes. The minimum monthly principal repayment of $100,000 began on May 1, 2005 and continued through the August 1, 2005 payment. With the release of the remaining $2 million, the minimum monthly principal repayment will increase to approximately $177,000 and continue through the October 18, 2007 maturity date.

We recorded interest expense of approximately $230,000 and $376,000 for the three and nine months ended September 30, 2005 related to this convertible note, and approximately $19,000 and $49,000 for the three and nine months ended September 30, 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.

During April 2005, 500,000 shares of common stock were issued to our former Vice President of Sales for services rendered at a value of $200,000, and in May 2005, 1,760,868 shares were issued as the result of the exercise of warrants previously granted to individuals associated with the April 2004 reverse merger.

Preferred stock outstanding at December 31, 2004 has been restated by $820 to account for 820,000 shares that were previously noted as outstanding, but were in fact to be issued subject to shareholder approval. At our Annual Meeting of Shareholders held on September 26, 2005, the issuance of these shares were approved by our shareholders and were issued as of that date.

Stock options

On April 29, 2005, we adopted the 2005 Equity Incentive Plan (the Plan) to provide a means by which we can retain and maximize the services of our current employees, directors and consultants. An aggregate of 7,500,000 shares of our common stock may be issued pursuant to awards from the Plan. The Plan was approved by our shareholders at our recent Annual Meeting of Shareholders. Of the options granted to date, 2,508,750 options were granted to our officers.

The following is a summary of activity of outstanding stock options under the 2005 Equity Incentive Plan:

	Number of Shares		Weighted Average Exercise Price
Options granted	3,018,250	$	0.23
Options exercised			
Options cancelled	(37,500)		0.25
Balance at September 30, 2005	2,980,750	$	0.23
Exercisable at September 30, 2005	298,927	$	0.25

The following is a summary of information about the 2005 Stock Option Plan options outstanding at September 30, 2005:

	Shares Underlying Options Outstanding				Shares Underlying Options Exercisable		
Range of Exercise Prices	Outstanding Options	Average Remaining Contractual Life		Weighted Average Exercise Price	Options Exercisable		Exercise Price
$0.17-$0.25	2,980,750	2.7 years	$	0.23	298,927	$	0.25

We measure our stock-based compensation using the intrinsic value method of accounting in accordance with Accounting Principles Board No. 25, Accounting for Stock Issued to Employees. Because we establish the exercise price based on the fair market value of our common stock at the date of grant, the options have no intrinsic value upon grant, and therefore no expense is recorded. Equity instruments issued to non-employees for goods and services are accounted for at fair value.

As required by Financial Accounting Standards Board (FAS) No. 123, Accounting for Stock-Based Compensation, and FAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, the pro forma effects of stock-based compensation on net loss and net loss per common share have been estimated at the date of grant using the Black-Scholes option pricing model. For purposes of pro forma disclosures, the estimated fair value of the options is assumed to be amortized to expense over the options vesting periods. The pro forma effects of recognizing compensation expense under the fair value method on net income and net earnings per common share were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2005 (restated)		2004		2005 (restated)		2004 (restated)
Net loss attributable to common stockholders								
As reported	$	(420,195)	$	(434,780)	$	(1,228,946)	$	(844,669)
Fair value of stock-based employee compensation		(275,939)				(480,868)		
Pro forma	$	(696,134)	$	(434,780)	$	(1,709,814)	$	(844,669)

Net loss per share								
As reported	$	(0.02)	$	(0.02)	$	(0.06)	$	(0.04)
Pro forma	$	(0.03)	$	(0.02)	$	(0.08)	$	(0.04)

The Black-Scholes option valuation model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because our stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management s opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

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 and nine months ended September 30, 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

Restatement of Financial Statements

On March 28, 2006, the Audit Committee of our Board of Directors, in connection with the preparation of our year-end financial statements, determined that the errors identified by management and described below with respect to our financial statements for: (i) the year ended December 31, 2004, (ii) each of the quarters ended March 31, June 30, and September 30, 2005, and (iii) each of the quarters ended June 30 and September 30, 2004, were such that the financial statements related to the foregoing periods should no longer be relied upon.

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The section of this 10-QSB/A entitled, Management s Discussion and Analysis of Financial Condition and Results of Operations, Notes 2 and 5 to the financial statements included herein and Item 3 of Part I have been amended to reflect the foregoing.

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, related payroll taxes and fringe benefits for our project-related staff, as well as for externally contracted personnel. Sales and marketing expenses consist of compensation, related payroll taxes and fringe benefits for sales and marketing personnel, along with their out-of-pocket costs, as well other costs such as advertising and trade shows. General and administrative expenses consist of compensation, related payroll taxes and fringe benefits for our administrative staff, 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. Our client list includes many of the top-tier pharmaceutical and biotechnology companies. Through the nine months ended September 30, 2005, contracts with Boston Scientific, Schering-Plough and Pfizer resulted in approximately 22%, 13% and 13% of our service revenues, respectively. The loss of business from any of our major customers could have a material adverse effect on us.

We are in the process of seeking other businesses to acquire so that we can expand our operations. These acquisitions could result in us needing to incur additional debt or sell or issue additional equity to fund the transactions. 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 raise the funds required for the transaction, the time required to prepare appropriate documentation and other circumstances.

Though the overall outlook for our continued financial growth remains 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 stronger position in our industry.

Results of Operations

Service Revenues

Service revenues for the third quarter ended September 30, 2005, were $4.3 million, an increase of 41% from the same quarter last year of $3.0 million. This increase in revenue is a result of our change in sales strategy that we began during the second half of 2004 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.

Service revenues for the nine months ended September 30, 2005, were $13 million, an increase of 39% from the same period in 2004 of $9.4 million. This increase is also to due the reasons noted in the previous paragraph.

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 26% to $147,000 in the third quarter of 2005 from $117,000 in the same quarter of 2004.

Operating Expenses

Cost of revenues for the three months ended September 30, 2005 were $3.0 million, an increase of 23%, from $2.4 million in the third quarter of 2004. Gross profits were 29.9% for the third quarter of 2005 as compared to 19.9% during the same period in 2004. Cost of revenues for the nine months ended September 30, 2005 were $9.0 million as compared to $6.7 million during the same period of 2004. Gross profit for the nine month periods ended September 30, 2005 and 2004 were 30.2% and 27.9%, respectively. During the third quarter of 2005 we earned higher margins than in 2004 as a result of servicing contracts during 2004 in which we initially took lower margins to secure selected new business. In addition, during the third quarter of 2005, we began to improve our margins by controlling the costs of providing our contractors to the customer, as well as improving our personnel management to reduce the amount of time our employees are not billable.

General and Administrative expenses increased by $142,000, or 20%, to approximately $852,000 during the third quarter of 2005 as compared to $710,000 during the third quarter of 2004. This increase is primarily the result of increased costs associated with being a public company, 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. In addition, the General and Administrative expense for the nine month period ended September 30, 2005, decreased $220,000 as a result of the authorization by our board of directors of the reimbursement of relocation expenses to three of our officers. With the exception of this relocation cost item, we expect General and Administrative costs to continue at its current rate 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 increased by 17%, to $296,000, in the third quarter of 2005 from $253,000 during the third quarter of 2004. This increase is primarily the result of using our technical contractors to assist our sales teams with certain aspects of our business development processes.

Depreciation and amortization expense increased to $24,000 in the third quarter of 2005 from $5,000 during the same period in 2004. The increase is due to our beginning to depreciate our developed internal-use software during the first quarter of 2005.

Officer compensation increased to $330,000 during the third quarter of 2005 as compared to $109,000 in 2004. During 2004, the cash situation was such that the officers paid themselves a reduced salary in order to pay other company commitments. With the increase in our cash position as a result of the Laurus note and the increase in our revenues, the Board of Directors has determined that the officer s compensation should be increased and that special payments for the growth of the company due to their efforts should be paid to certain officers. In addition, during

2005, we added an individual to perform the duties of Chief Financial Officer which had previously been performed by the Chief Executive Officer.

Other Income (Expense)

We did not earn any interest income during the first nine months of 2004. Interest income for the three and nine months ended September 30, 2005 was $56,000 and $58,000, respectively.

Interest expense increased to $230,000 and $376,000 during the three and nine months ended September 30, 2005 from $19,000 and $49,000 during the same periods in 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 $72,000 and $217,000 for the three and nine months ended September 30, 2005. The loan fee costs were incurred related to the $5 million convertible note with Laurus. There were no loan fees incurred during the same periods in 2004.

During the first quarter of 2005, we incurred additional 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. In July 2005, this requirement was further extended to August 31, 2005 upon the release of the final $2 million of funds and the adjustment to the fixed conversation price of the note to $0.2445. In October 2005, the registration requirement was further adjusted to January 31, 2006 before additional fees would be assessed.

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.

During the second quarter ended June 30, 2005, 500,000 shares of common stock were issued to our former Vice President of Sales for services rendered, and 1,784,250 shares were issued as the result of the exercise of warrants previously granted to individuals associated with the April 2004 reverse merger.

Liquidity and Capital Resources

At September 30, 2005, cash and cash equivalents was $2.2 million, an increase of $1.8 million from the $403,000 balance at December 31, 2004. In August 2005, the remaining $2 million from the $5 million Laurus note was provided to us and is intended to be used for potential merger and acquisition activity, as well as other general operating purposes. The minimum monthly principal repayment of $100,000 began on May 1, 2005 and continued through the August 1, 2005 payment. With the release of the remaining $2 million, the minimum monthly principal repayment increased to $177,000 and will continue through the October 18, 2007 maturity date.

Accounts receivable at September 30, 2005 was $2.4 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 improvements made to our collection procedures. 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 to the number of well-established customers that we are servicing and our collection history.

Unbilled revenues are receivables recognized as revenue for which services or costs have been incurred, but invoices have not been sent to customers as of the end of a month. At September 30, 2005, unbilled revenues were $79,000, as compared to $133,000 at December 31, 2004.

Need for Additional Funding

With our current contract backlog and sales pipeline, and our current cash and accounts receivables balance, we believe that we have adequate resources to fund our operations for the next twelve months. 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 September 30, 2005 were $4.9 million as compared to $3.3 million as of December 31, 2004.

Total Current Liabilities at September 30, 2005 were $3.9 million as compared to $2.1 million at December 31, 2004. This increase is primarily the result of an increase in accrued payroll and employee benefits, and an increase in the current portion owed on the note payable to Laurus since principal payments began on May 1, 2005. In addition, during the second quarter of 2005 our Board of Directors approved the reimbursement of relocation expenses to three of our officers. As such, an accrual for $220,000 was established in the second quarter of 2005 for these costs and such amount had not been paid as of September 30, 2005.

Total Liabilities at September 30, 2005 were $6.3 million as compared to $3.9 million at December 31, 2004. Of the amount due at September 30, 2005, $4.5 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 September 30, 2005, IT&E employed 90 employees. These employees represent the following employment mix for the company: 10% administration, 5% recruiting, 8% sales, and 77% contract service providers. Additionally, we utilize the services of approximately 25 outside consultants who work as independent contractors.

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 nine months 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

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.

Forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as believes, anticipates, expects, intends, estimates, plans, may, will, or similar terms. These statements appear in a number of places in this Form 10-QSB and in 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 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 evaluation, the principal executive officer and principal financial officer originally concluded that our disclosure controls and procedures were 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.

However, as a result of the discovery of the errors which have resulted in the restatement of certain of our financial statements that were discovered in connection with our year-end audit for the fiscal year ended December 31, 2005, we have concluded that our disclosure controls and procedures were not effective during the quarter ended September 30, 2005.

The evaluation of our disclosure controls and procedures included a review of the controls objectives and design, our implementation of the controls and the effect of the controls on the information generated for use in our periodic reports. During the course of our evaluation of our controls for the year ended December 31, 2005, we advised the audit committee of our board of directors that we had identified certain issues that on a accumulated basis rose to the level of a material weakness in our disclosure controls and related internal controls. A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects our ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of our annual or interim financial statements that is more than inconsequential will not be prevented or detected.

Specifically, we identified the following items that each individually constitute a significant deficiency and collectively constitute a material weakness:

- Insufficient numbers of personnel having appropriate knowledge, experience and training in the application of GAAP at the divisional level, and insufficient personnel at our headquarters to provide effective oversight, review of financial transactions and reporting responsibilities of an SEC registrant;

- Inadequate controls within the general ledger system to provide a reliable audit trail without adequate compensating controls due to a lack of segregation of duties within the accounting department;

- Ineffective or inadequate accounting policies to ensure the proper and consistent application of GAAP throughout the organization;

- Ineffective or inadequate controls over the timing of the recognition of revenue at the divisional level; and

- Inadequate integration of the financial reporting with respect to the newly acquired division.

We now believe that one or more of these significant deficiencies existed during the period covered by this report and that we many have had a material weakness in our internal controls over financial reporting during the period covered by this report.

To address the significant deficiencies described above, we have already hired additional personnel into our accounting and finance department and presently intend to take the following remedial actions:

- Provide for greater segregation of duties within accounting and finance department;

- Obtain more robust accounting software to enable us to more effectively provide a reliable audit trial; and

- Disseminate critical accounting policies to the accounting staff and senior managers.

As we continue to evaluate and review our remediation process, we may modify our present intentions and conclude that additional or different actions are would better serve the remediation of our material weakness. We expect that the remediation will be implemented during 2006. These issues will not be completely remediated until the applicable remedial measure operate for a period of time, such procedures are tested and management has concluded that the procedures are operating effectively.

There was no change in our internal control over financial reporting during the fiscal quarter ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are not a party to any legal proceedings.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 26, 2005, we issued 820,000 shares of our Series A Preferred Stock to our directors in satisfaction of an obligation to issue such shares set forth in the Merger Agreement between Clinical Trials Assistance Corporation and IT&E International, Inc.

The offers, sales and issuances of these securities were deemed to be exempt from registration under the Securities Act of 1933, as amended (the Securities Act) in reliance on Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder as transactions by the issuer not involving a public offering.

ITEM 3. Defaults upon Senior Securities

None.

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

An Annual Meeting of Shareholders of the Company was held on September 26, 2005.

PROPOSAL 1 - ELECTION OF DIRECTORS

The following directors were elected to hold office until the Company s 2006 Annual Meeting or until their successors have been duly elected and qualified:

	For	Against	Withhold

				Broker Non-Votes
Peter R. Sollenne	38,514,858	0	109,500	0
Kelly Alberts	38,371,458	0	252,900	0
Anthony Allocca	38,380,958	0	243,400	0

PROPOSAL 2 APPROVAL OF THE COMPANY S 2005 EQUITY INCENTIVE PLAN

The following is the vote approving the Company s 2005 Equity Incentive Plan:

	For	Against	Withhold
2005 Equity Incentive Plan	30,890,019	242,220	44,350

PROPOSAL 3 AMENDMENT OF ARTICLES OF INCORPORATION TO INCREASE THE COMPANY S AUTHORIZED COMMON STOCK

The following is the vote approving the amendment of the Company s Articles of Incorporation to increase the number of authorized shares of the Company s common stock to 250,000,000:

	For	Against	Withhold
Increase of common stock	38,104,325	483,683	36,350

PROPOSAL 4 AMENDMENT OF ARTICLES OF INCORPORATION TO INCREASE THE COMPANY S AUTHORIZED SERIES A PREFERRED STOCK

The following is the vote approving the amendment of the Company s Articles of Incorporation to increase the number of authorized shares of the Company s Series A Preferred Stock to 2,820,000:

	For	Against	Withhold
Increase of Series A Preferred Stock	30,630,506	370,260	175,823

PROPOSAL 5 RATIFICATION AND APPOINTMENT OF BECKSTEAD AND WATTS, LLP TO SERVE AS INDEPENDENT ACCOUNTANTS FOR FISCAL YEAR 2005

The following is the vote approving the ratification and appointment of Beckstead and Watts, LLP to serve as the Company s independent accountants for fiscal year 2005:

	For	Against	Withhold
Ratification and appointment of Beckstead and Watts, LLP	38,522,258	67,600	34,500

ITEM 5. Other Information

None.

ITEM 6. Exhibits

(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-Oxley Act of 2002

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, Inc. (Registrant)
Dated: April 11, 2006	By: /s/ Peter R. Sollenne Peter R. Sollenne Chief Executive Officer Director
Dated: April 11, 2006	By: /s/ Kelly Alberts Kelly Alberts President/COO Director