

Edgar Filing: Wi-Tron, Inc. - Form 10QSB

Wi-Tron, Inc.  
Form 10QSB  
November 20, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number 0-21931

WI-TRON, INC.

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

22-3440510  
(I.R.S. Employer  
Identification No.)

59 La Grange Street  
Raritan, New Jersey 08869  
(Address of principal executive offices)

(908) 253-6870  
(Issuer's telephone number)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the Issuer's common stock, \$.0001 par value, as of November 14, 2006 was 36,653,293.

Transitional Small Business Format (check one); Yes  No

WI-TRON, INC.  
FORM 10-QSB  
NINE MONTHS ENDED SEPTEMBER 30, 2006

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1	Financial Statements (Unaudited):	
	Balance Sheets.....	1-2
	Statements of Operations.....	3
	Statement of Cash Flows.....	4
	Statement of Changes in Stockholders' Deficiency.....	5
	Notes to Financial Statements.....	6-13

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	14-20
Item 3.	Controls and Procedures.....	20
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings.....	21
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds...	21
Item 3.	Defaults Upon Senior Securities.....	21
Item 4.	Submission of Matters to a Vote of Security Holders.....	21
Item 5.	Other Information.....	21
Item 6.	Exhibits.....	22
Signatures.....		23
Exhibits		

### PART I - FINANCIAL INFORMATION

#### Item 1. Financial Statements

#### WI-TRON, INC. BALANCE SHEETS

	September 30, 2006 ----- (Unaudited)	December 31, 2005 ----- (Reclassified for Comparabilit
ASSETS		
CURRENT ASSETS		
Cash	\$ 127,634	\$ 34,998
Accounts receivable, net of allowance for doubtful accounts of \$1,000 and \$702 in 2006 and 2005, respectively	18,955	21,926
Inventories	92,243	108,591
Prepaid expenses and other	--	1,208
	-----	-----
Total current assets	238,832	166,723
	-----	-----
PROPERTY AND EQUIPMENT - AT COST		
Machinery and equipment	587,276	587,276
Furniture and fixtures	43,750	43,750
Leasehold improvements	8,141	8,141
	-----	-----
	639,167	639,167
Less accumulated depreciation and amortization	(624,554)	(621,306)
	-----	-----
	14,613	17,861
	-----	-----
SECURITY DEPOSITS AND OTHER NON-CURRENT ASSETS		
	5,500	5,500
	-----	-----
TOTAL ASSETS	\$ 258,945	\$190,084
	=====	=====

Note: The balance sheet at December 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

-1-

### WI-TRON, INC. BALANCE SHEETS

		September 30, 2006
		(Unaudited)
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
<b>CURRENT LIABILITIES</b>		
Note payable in connection with Phoenix investor rescission - in default	\$	10,000
Accounts payable		171,831
Notes payable issued in connection with private placement of common stock, including accrued interest of \$20,515 (2006) and \$7,015 (2005)		320,515
Accrued expenses and other current liabilities		164,916
Federal and state payroll taxes, penalties & interest (delinquent in 2005)		13,784
Loans payable - officers		150,000
		831,046
Total current liabilities, representing total liabilities		831,046
<b>STOCKHOLDERS' DEFICIENCY</b>		
Convertible Preferred stock, Series C authorized 5,000,000 shares of \$.0001 par value; 131,000 and 140,000 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively, with a liquidation preference of \$2 per share (262,000)		13
Common stock - authorized, 100,000,000 shares of \$.0001 par value; 36,528,293 shares and 23,338,267 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively		3,653
Additional paid-in capital		25,919,135
Subscriptions receivable - common stock		(3,000)
Accumulated deficit		(26,491,902)
		(572,101)
	\$	258,945

Note: The balance sheet at December 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

-2-

Edgar Filing: Wi-Tron, Inc. - Form 10QSB

WI-TRON, INC.  
STATEMENTS OF OPERATIONS (Unaudited)  
Three and Nine Months Ended September 30

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Net sales	\$ 16,380	105,363	\$ 133,910	\$ 402,380
Cost of goods sold	58,264	176,128	281,169	469,128
Gross profit (loss)	(41,884)	(70,765)	(147,259)	(67,748)
Operating expenses				
Selling, general and administrative, including share-based compensation (A)	707,502	205,796	1,121,804	413,128
Research, engineering and development	79,011	86,570	255,353	316,128
Total operating expenses	786,513	292,366	1,377,157	730,256
Operating loss	(828,397)	(363,131)	(1,524,416)	(797,999)
Nonoperating income (expenses)				
Interest income and other income	--	--	3,292	--
Interest expense	(4,501)	(2,516)	(13,500)	(3,000)
Federal tax penalties and interest	(406)	(8,205)	(26,558)	(13,000)
Settlements of accounts payable incurred in prior years	17,629	--	17,629	--
Loan conversion costs	--	(21,627)	--	(21,627)
Loss before income taxes.	(815,675)	(395,479)	(1,543,553)	(836,627)
Provision for income taxes	--	--	625	--
NET LOSS	\$ (815,675)	\$ (395,479)	\$ (1,544,178)	\$ (836,627)
Net loss per share - basic and diluted	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ (0.05)
Weighted average number of shares outstanding	34,318,780	10,376,500	30,441,082	10,376,500
(A) Share-based compensation: included in general and administrative expenses				
Officers	\$ 273,365	\$ --	\$ 273,365	\$ --
Employees	9,689	--	24,585	--
Consultants (1)	226,250	--	265,695	--
	\$ 509,304	\$ --	\$ 563,645	\$ --

(1) Paid to an officer/director and an entity owned by him in his capacity as a investor/public relations consultant

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Edgar Filing: Wi-Tron, Inc. - Form 10QSB

-3-

WI-TRON, INC.  
STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30	
	2006	2005
Cash flows from operating activities:		
Net Loss	\$(1,544,178)	\$(836,178)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,248	3,248
Provision for doubtful accounts	(4,740)	(4,740)
Public/investor relations fees paid by issuance of common stock	59,445	59,445
Additional public/investor relations fees pursuant to consulting agreement	206,250	206,250
Restricted common stock issued to employee in satisfaction of vacation pay	9,918	9,918
Restricted common stock issued on employee options exercise	7,200	7,200
Amortization of share based compensation	7,467	7,467
Officer compensation from restricted common stock issued at below market	3,200	3,200
Officer compensation arising from options granted/restricted common stock issued pursuant to new employment agreement and settlement of officer loans	223,879	223,879
Deferred officer compensation	--	57,143
Interest accrued on notes payable	13,500	13,500
Restricted common stock issued to officer as reimbursement for legal fees paid by him in 2003 with Company shares owned by him	46,286	46,286
Loan conversion costs	--	21,429
Changes in assets and liabilities		
Accounts receivable	7,711	(2,143)
Inventories	16,348	12,143
Prepaid expenses and other assets	1,208	1,208
Customer advances	--	22,143
Delinquent federal and state payroll taxes, interest and penalties	(76,968)	75,143
Accounts payable and accrued expense	(162,792)	(46,143)
Total adjustments	361,160	101,143
Net cash (used) for operating activities	(1,183,018)	(735,035)
Cash flows from investing activities:		
Change in security deposits	--	(5,143)
Purchase of property and equipment	--	(21,143)
Net cash provided by (used for) investing activities	--	(26,286)
Cash flows from financing activities:		
Proceeds from shares sold to officer at prices below market	10,000	10,000
Repayment of officer's loans	(76,346)	(6,143)

Edgar Filing: Wi-Tron, Inc. - Form 10QSB

Proceeds from convertible notes received directly in cash pursuant to Lee financing agreement	--	194,
Payments on Phoenix secured promissory note	(10,000)	(15,
Proceeds from private placements of common stock	1,349,000	300,
Proceeds from exercise of employee stock options	3,000	
Proceeds from issuance of notes payable in connection with private placement of common stock	--	300,
	-----	-----
Net cash provided by financing activities	1,275,654	772,
	-----	-----
NET INCREASE (DECREASE) IN CASH	92,636	10,
Cash at beginning of period	34,998	122,
	-----	-----
Cash at end of period	\$ 127,634	\$ 132,
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid for: Interest	\$ 10,667	\$
Income taxes	\$ 625	\$

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

-4-

WI-TRON, INC.  
STATEMENT OF STOCKHOLDERS' DEFICIENCY (Unaudited)  
Nine Months Ended September 30, 2006

	Series C Convertible Preferred Stock		Co
	Shares	Par Value	Share
	-----	-----	-----
BALANCE AT DECEMBER 31, 2005	140,000	\$14	23,338,
Private placements of common stock			10,675,
Shares sold to officer at prices below market			40,
Conversion of preferred stock into common stock	(9,000)	(1)	900,
Offering costs paid through the issuance of stock options			
Shares issued to employee in satisfaction of vacation pay			40,
Amortization of share based compensation			
Public/investor relations fees paid by issuance of common stock			237,
Public/investor relations consulting agreement			625,
Shares issued to officer to reimburse for legal fees paid by him in 2003 with Company shares owned by him			132,
Settlement of officer loans through issuance of common stock			500,
Contribution of capital by officer - settlement of officer loans at less than face amounts			
Employee options exercises			40,
Net loss for nine months ended September 30, 2006			
	-----	---	-----
BALANCE AT SEPTEMBER 30, 2006	131,000	\$13	36,528,
	=====	===	=====

Edgar Filing: Wi-Tron, Inc. - Form 10QSB

	Additional Paid-In Capital -----	Accumulated Deficit -----
BALANCE AT DECEMBER 31, 2005	\$23,794,954	\$(24,947,724)
Private placements of common stock	1,285,124	
Shares sold to officer at prices below market	13,196	
Conversion of preferred stock into common stock	(89)	
Offering costs paid through the issuance of stock options	62,809	
Shares issued to employee in satisfaction of vacation pay	9,914	
Amortization of share based compensation	7,467	
Public/investor relations fees paid by issuance of common stock	59,421	
Public/investor relations consulting agreement	206,187	
Shares issued to officer to reimburse for legal fees paid by him in 2003 with Company shares owned by him	46,273	
Settlement of officer loans through issuance of common stock	274,840	
Contribution of capital by officer - settlement of officer loans at less than face amounts	145,843	
Employee options exercises	13,196	
Net loss for nine months ended September 30, 2006		(1,544,178)
BALANCE AT SEPTEMBER 30, 2006	----- \$25,919,135 =====	----- \$(26,491,902) =====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

-5-

WI-TRON, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
September 30, 2006

NOTE A - NATURE OF OPERATIONS AND ADJUSTMENTS

Wi-Tron, Inc. designs, manufactures and sells state of the art ultra linear single and multi channel power amplifiers, cellular base station components, and broadband wireless products to the worldwide wireless telecommunications market.

In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of (a) results of operations for the three and nine month periods ended September 30, 2006 and 2005, (b) the financial position at September 30, 2006, (c) the statements of cash flows for the nine month period ended September 30, 2006 and 2005, and (d) the changes in stockholders' deficiency for the nine month period ended September 30, 2006 have been made. The results of operations for the three or nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year.

NOTE B - UNAUDITED INTERIM FINANCIAL INFORMATION

In November 2005, the Company amended its certificate of incorporation with the State of Delaware to change its name from Amplidyne, Inc. to Wi-Tron, Inc.

The accompanying unaudited financial statements have been prepared in

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for financial statements. For further information, refer to the audited financial statements and notes thereto for the year ended December 31, 2005 included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 6, 2006.

The Company's financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The liquidity of the Company has been adversely affected in recent years by significant losses from operations. As further discussed in Note F, the Company incurred losses of \$1,544,178 for the nine months ended September 30, 2006 and has limited cash reserves, even though it has seen its working capital improve by \$581,569 to a deficiency of \$592,214 since the beginning of the fiscal year. Current liabilities exceed cash and receivables by \$684,457 indicating that the Company will have difficulty meeting its financial obligations for the balance of this fiscal year. These factors raise substantial doubt as to the Company's ability to continue as a going concern. Recently, operations have been funded by issuances of restricted common stock to an individual who is a public/investor relations consultant of the Company, as well as the Secretary and a Director. Additionally, the Company received funds from other private placements and used restricted common stock, options and warrants to pay officers and consultants in lieu of cash.

As further discussed in Note F, management intends to seek additional financing, aggressively market its products, control operating costs and broaden its product base through development and marketing new products. The Company believes that these measures will provide sufficient liquidity for it to conduct current operations as a going concern. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern in its present form.

-6-

WI-TRON, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
September 30, 2006

Off-balance sheet arrangements

We do not have any transactions, agreements or other contractual arrangements that constitute off balance sheet arrangements.

NOTE C - STOCKHOLDERS' EQUITY

### 1. Warrants and Options

At September 30, 2006, the following 1,445,000 warrants, remained outstanding:

- (1) 20,000 exercisable at \$1.00 through May 2010
- (2) 600,000 exercisable at \$.20 through August 31, 2009
- (3) 75,000 exercisable at \$.96 through March 2007
- (4) 750,000 exercisable at \$.20 through September 2009



## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

At September 30, 2006, the Company had employee stock options outstanding to acquire 4,550,000 shares of common stock at exercise prices of \$0.20 to \$0.37. These options expire at various dates from March 2007 through January 2016.

### 2. Private Placements of Common Stock and Debt

In connection with the August 10, 2005 private placement of restricted common stock and notes there remains unsecured notes payable balances of \$300,000, which were due upon the earlier of the Company completing any financing with gross proceeds in excess of \$1,000,000; or March 1, 2006. Since the Company was unable to repay the notes on March 1, 2006. The Company requested and all of the investors agreed to a 90 day extension on the notes until June 1, 2006. These notes remain unpaid at September 30, 2006, and the Company is continuing to seek further similar extensions on an ongoing basis. No actions have been taken by the note holders to collect the balance up to and since September 30, 2006 through the date of this filing.

On March 10, 2006, the Company issued 5,550,000 shares of common stock through a private offering to accredited investors at \$.06 per share (gross proceeds of \$333,000) pursuant to Regulation D of the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. The Company's officers and directors directed the sale and received no commissions or other remuneration.

In March 2006, the Company received gross proceeds of \$50,000 (\$.08 per share) from the wife of John C. Lee (Chairman of the Board of Directors) for 625,000 shares of restricted common stock.

### 3. Series C Convertible Preferred Stock

As of September 30, 2006, there were 131,000 shares of Series C Convertible Preferred Stock outstanding, 125,000 of which are owned by John Lee, the Chairman of the Board of Directors and 6,000 of which are owned by Jessica Lee, the Chief Financial Officer. Each share of the preferred stock is convertible into 100 shares of common stock. Accordingly, the outstanding preferred shares, in the aggregate, are convertible into 13,100,000 shares of common stock.

-7-

WI-TRON, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
September 30, 2006

### 4. Other Issuances of Common Stock and Related Matters

In January 2006, the Company issued to the securities lawyer non-qualified 10 year options to purchase 1,000,000 shares at \$.20 per share for services rendered in connection with successful private placements. The options were valued at \$62,809 and were charged against the proceeds of private placements during the quarter ended March 31, 2006. In November 2006, this lawyer voluntarily returned 250,000 of these options.

In January 2006, John Lee and Jessica Lee each converted 2,000 shares of their preferred stock into 200,000 shares of restricted common stock (aggregate of 400,000 shares). In September 2006, John Lee converted 3,000 shares of his preferred stock into 300,000 shares of restricted common stock. Also in September 2006, Jessica Lee converted 2,000 shares of her preferred stock into

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

200,000 shares of restricted common stock.

On February 8, 2006, the Company issued 50,000 shares of restricted common stock to Eric Popkoff for consulting services pursuant to an agreement with Undiscovered Equities Research Corporation ("UERC") dated September 23, 2005 (\$5,850 was charged to operations in 2005).

In March 2006, the Company's lawyer was issued 200,000 shares of restricted common stock which were granted in 2005 in connection with the private placements of securities and accounted for in the Statement of Stockholders' Equity as of December 31, 2005 (\$26,000 was recorded as offering costs reducing stockholders' equity in 2005).

Pursuant to a series of subscription agreements, the Company received \$885,000 in proceeds from several issuances of restricted common stock it made to the secretary/director (who is also the Company's public/investor relations consultant) as follows:

Date Issued	Shares Issued	Gross Proceeds
03/30/06	1,500,000	\$225,000
05/04/06	500,000	110,000
05/17/06 (A)	400,000	100,000
07/18/06 (A)	800,000	200,000
09/08/06	1,000,000	250,000
	-----	-----
	4,200,000	\$885,000
	=====	=====

(A) Governed by a subscription agreement dated July 18, 2006 for 1,200,000 shares at \$.25 per share.

-8-

WI-TRON, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
September 30, 2006

The Company issued 237,780 shares of restricted common stock to the secretary/director as compensation for consulting services rendered valued at \$59,445, of which \$20,000 was incurred in the current quarter. Pursuant to the April 2006 consulting agreement (Note I .3.), the Company issued 625,000 shares of restricted common stock to this individual resulting in charges to operations of \$206,250.

On May 16, 2006, the Company issued 300,000 shares of restricted common stock to an accredited investor for gross proceeds of \$81,000.

On May 17, 2006, the Company issued 40,000 shares of restricted common stock to an employee in payment of a previously accrued vacation liability of \$9,918 charged as compensation.

On September 20, 2006, the Chief Executive Officer purchased 40,000 shares (valued at \$13,200) of restricted common stock for gross proceeds of \$10,000, resulting in a charge to operations for officer compensation of \$3,200..

In September 2006, employees exercised stock options for an aggregate of 40,000 shares valued at \$13,200, resulting in a charge to operations for compensation of \$7,200.

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

In September 2006, the Company issued 132,246 shares of restricted common stock to Devendar S. Bains as reimbursement for legal fees of the Company personally paid by him with common shares in 2003, resulting in a charge to operations of \$46,286.

During the three and nine month periods ended September 30, 2006 the Company charged to operations a total of \$509,304 and \$563,645, respectively, for consulting fees, legal fees and employee compensation. resulting from the stock issuances in the preceding paragraphs.

Net cash proceeds received by the Company from private placements of restricted common stock were \$1,349,000 for the first nine months of 2006, compared to \$794,000 during the first nine months of 2005. As of September 30, 2006 the Company had 36,528,293 shares of common stock issued and outstanding, compared to 23,338,267 in 2005.

### 5. Amendment to Certificate of Designation of Preferred Shares

In May 2006, the Company's certificate of designation for the preferred shares was amended whereby the liquidation preference was corrected to be \$2 per preferred share rather than the incorrect \$750,000 per share in the original certificate.

### 6. Preferred and Common Stock Restricted under Rule 144

All preferred shares and all shares referred to as restricted common stock are governed by SEC Rule 144 and cannot be sold unless they are registered pursuant to the Securities Act of 1933, as amended, or if such sale is pursuant to a valid exemption from registration.

### NOTE D - LOSS PER SHARE

The Company complies with the requirements of the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"). SFAS No. 128 specifies the compilation, presentation and disclosure requirements for earnings per share for entities with publicly held common stock or potential common stock. Net loss per common share - basic and diluted is determined by dividing the net loss by the weighted average number of common stock outstanding.

-9-

WI-TRON, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
September 30, 2006

Net loss per common share - diluted does not include potential common shares derived from stock options and warrants (see Note C) because they are antidilutive.

### NOTE E - LITIGATION

From time to time, the Company is party to what it believes are routine litigation and proceedings that may be considered as part of the ordinary course of its business. Except for the proceedings noted below, the Company is not aware of any pending litigation or proceedings that could have a material effect on the Company's results of operations or financial condition.

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

In April 2004, a law firm filed a judgment against the Company in the amount of approximately \$40,000 in connection with non-payment of legal fees owed to it. Inasmuch as this is a perfection of an already recorded liability, management does not believe that the judgment will have a material impact on the financial position of the Company. In March 2005, a settlement was reached whereby the Company made a down payment of \$2,500 and agreed to pay the balance in 24 equal monthly installments of approximately \$1,600. The balance due on this judgment as of September 30, 2006 is approximately \$11,000.

### NOTE F - LIQUIDITY

The Company's financial statements are presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a recent history of significant losses and has incurred losses of \$1,544,178 and \$836,939 for the nine months ended September 30, 2006 and 2005, respectively.

During the three months ended September 30, 2006, the Company continued its increased efforts to improve sales of its legacy products and to gain new sales for current and future products, which are in various stages of development. The Company also continues to work towards the establishment of a Wi-Tron subsidiary in China. Our financial condition relies on continuing equity investment until, if ever, we are successful in commercializing our new product lines and opening up new geographic regions. During the first nine months of 2006 sales revenues were not enough to offset operations, SG&A and R&D expenses.

From time-to-time, we have issued stock, options and warrants to satisfy operating expenses, which provides us with a form of liquidity. Due, in part, to our prior lack of earnings, our current net losses, and our current debt level our success in attracting additional funding has been limited to transactions with accredited investors. The continued use of our equity for these purposes may be necessary if we are to sustain operations, prior to reaching operating profitability. Equity financings of the type we have been required to pursue are dilutive to our stockholders and may adversely impact the market price for our shares.

-10-

WI-TRON, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
September 30, 2006

Now, under new management, the Company is working to increase sales of legacy systems while simultaneously developing cutting edge technological designs for near and long term sales growth. The key to long term growth in the wireless industry is anticipating and leading the evolution of power amplifier development. The Company intends to build partnerships and marketing strengths from a series of new design platforms - some of which have already been developed - in order to expand market opportunities across technologies, frequency bands and power ranges.

### NOTE G - OFFICER LOANS

#### 1. Officer Loans and Employment Agreements

On June 27, 2005, the Board of Directors resolved to enter into new employment agreements with Devendar S. Bains and Tarlochan S. Bains to settle the liability for unpaid salaries. In September 2006, that resolution was memorialized in employment agreements as follows:

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

(i) Devendar S. Bains - (employment agreement dated September 1, 2006) in settlement of the liability for accrued and unpaid salaries, the Company agreed to:

- a. issue a three year warrant for the purchase of 1,000,000 shares common stock exercisable at \$.20 per share (the "Warrant"), with 750,000 remaining outstanding at September 30, 2006;
- b. pay the amount of \$200,000 in full settlement of the debt due him from the Company, payable in quarterly installments of \$50,000 starting September 30, 2006 through June 30, 2007, with \$150,000 remaining outstanding at September 30, 2006;
- c. cancel 250,000 warrants for each \$50,000 quarterly installment paid (250,000 were canceled concurrent with the September 2006 payment);
- d. provide the right to exercise the warrants periodically in lieu of receiving the quarterly cash payments;
- e. offer continued employment with the Company for a term of three (3) years at a salary of \$80,000 per year; and
- f. revert to a consulting agreement at a monthly amount of \$5,000 for 12 months upon the payment in full of the \$200,000 debt settlement (following the last \$50,000 quarterly payment). As a consultant, the customary benefits allowed under his regular employment will be retained.

As a result of the employment agreement with Devendar S. Bains, the face amount of the loan balance of \$345,843 immediately prior to the settlement exceeded the minimum cash settlement amount of \$200,000 by \$145,843. The excess was credited to additional paid-in capital. The current value of the warrants (based on the current trading prices of the underlying common stock) that secure this liability is less than the minimum cash settlement amount of \$200,000. Accordingly, the contribution to additional paid-in capital was measured by the minimum cash settlement amount of \$200,000.

-11-

WI-TRON, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
September 30, 2006

Devendar S. Bains beneficially owns 1,050,000 stock options (50,000 of which are owned by his wife) that have been extended until May 2008, and are otherwise not affected by this settlement.

(ii) Tarlochan S. Bains - (employment agreement dated July 1, 2005) in settlement of the liability for accrued and unpaid salaries, the Company agreed to (a) issue 500,000 shares of restricted common stock valued at \$185,000, (b) enter into an employment agreement at \$80,000 per year, (c) issue 300,000 incentive stock options exercisable at \$.20 per share pursuant to the 2005 Plan valued at \$61,695, and (d) issue 200,000 non-qualified stock options which vest immediately and are exercisable at \$.20 per share valued at \$48,760, with an unspecified number of additional options to be issued over the next two years at exercise prices to be determined by the Board of Directors in accordance with the 2005 Plan at the time of issuance. The value of the shares and options less the face amount of the loan balance was charged to operations as officer

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

compensation.

### 2. Other Related Party Transactions

As of September 30, 2006, accounts payable includes \$34,310 due to Tek, Ltd., a company wholly owned by John C. Lee. During the nine months ended September 30, 2006, Tek, Ltd. made purchases of parts, supplies, services and equipment rentals on behalf of the Company for a total of \$35,576 and, as per Note I.1., incurred rent to Tek, Ltd of \$51,750.

### NOTE H - SEGMENT INFORMATION

The Company has not pursued its wireless Internet connectivity business since 2003 and is essentially currently operating in one segment.

### NOTE I - COMMITMENTS AND OTHER COMMENTS

#### 1. Premises leases

On April 22, 2005, concurrent with the closing of the purchase of the building by Tek, Ltd. ("Tek") a company wholly owned by John Lee, the Company entered into a non cancelable operating lease with Tek which commences on June 1, 2005 and expires on May 31, 2008. Tek is holding a security deposit of \$5,500 in connection with this lease. The Company is obligated for minimum annual rental payments as follows:

Year ending December 31	
2006	\$ 17,250
2007	72,000
2008	30,000
	-----
	\$119,250
	=====

-12-

WI-TRON, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2006

Rent expense, including the Company's share of real estate taxes, utilities and other occupancy costs, was \$51,750 and \$67,887 for the nine months ended September 30, 2006 and 2005, respectively.

#### 2. Phoenix Opportunity Fund II, L.P.

On January 28, 2004, the Company entered into a Subscription Agreement (the "Agreement") with Phoenix Opportunity Fund II, L.P. ("Phoenix"), to make certain investments in the Company. Due to a dispute among the Parties with respect to the terms of the loan transaction, the Company and Phoenix agreed to rescind their agreement, and the Company agreed to pay Phoenix in settlement, which included a \$40,000 secured promissory note due March 31, 2005, and bearing interest at the rate of eight percent per annum secured by substantially all the assets of the Company. The Company did not make all of the required payments due under the Phoenix rescission agreement, and the Company remains currently delinquent. The balance due on the note at September 30, 2006 was \$10,000. As yet, no action has been taken by Phoenix concerning this default.

#### 3. Segue Ventures LLC - Craig H. Bird

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

On April 16, 2006, the Company entered into a one year consulting agreement for investor/public relations services on behalf of the Company by Craig H. Bird with Segue Ventures LLC (an entity owned by Craig H. Bird, who is the Secretary of the Company and a director). The agreement provides for monthly cash compensation of \$10,000 and for Company issuance of 125,000 shares of the Company's restricted common stock each month over a period of 12 months for a total of 1,500,000 shares. The agreement is renewable for one additional year through April 13, 2008, unless terminated by either party on 60 days written notice.

-13-

### PART I - FINANCIAL INFORMATION

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

Certain disclosures in this Quarterly Report on Form 10-QSB include certain forward-looking statements within the meaning of the safe harbor protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that include words such as "believe," "expect," "should," "intend," "may," "anticipate," "likely," "contingent," "could," "may," "estimate," or other future-oriented statements, are forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding our business plans, strategies and objectives, and, in particular, statements referring to our expectations regarding our ability to continue as a going concern, realize improved gross margins, and timely obtain required financing. These forward-looking statements involve risks and uncertainties that could cause actual results to differ from anticipated results. The forward-looking statements are based on our current expectations and what we believe are reasonable assumptions given our knowledge of the markets; however, our actual performance, results and achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Factors, within and beyond our control, that could cause or contribute to such differences include, among others, the following: the success of our capital-raising and cost-cutting efforts, developing and marketing new technology devices, including technological advancements and innovations; consumer receptivity, preferences and availability and affordability; whether a third-party can successfully develop, manufacture and market products that incorporate our technology; political and regulatory environments and general economic and business conditions; the effects of our competition; the success of our operating, marketing and growth initiatives; development and operating costs; the amount and effectiveness of our advertising and promotional efforts; brand awareness; the existence of adverse publicity; changes in business strategies or development plans; quality and experience of our management; availability, terms and deployment of capital; labor and employee benefit costs, as well as those factors in our filings with the Securities and Exchange Commission, particularly the discussions under "Risk Factors" in our 10KSB filed on April 6, 2006. Readers are urged to carefully review and consider the various disclosures made by us in this report and those detailed from time to time in our reports and filings with the SEC.

Our fiscal year ends on December 31. References to a fiscal year refer to the calendar year in which such fiscal year ends.

The following analysis of our financial condition and results of operations for the three and nine months ended September 30, 2006 should be read in conjunction with the Financial Statements and other information presented elsewhere in this

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

report and in the Company's 10-KSB annual report filed April 6, 2006.

### GENERAL INFORMATION ABOUT WI-TRON

Wi-Tron's Mission is to become a world leader in ultra-linear, high-value power amplifier technology products for wireless telecommunication infrastructure providers by anticipating and exceeding their needs and expectations, while providing high profit margins to the Company.

Background: The Company was incorporated on December 14, 1995 as Amplidyne Inc. and renamed Wi-Tron, Inc in August 2005. Since that time Wi-Tron has been reorganizing its operational structure and making management changes. In November 2005, the Company retained Spectral Advantage to create a new business strategy. In April 2006, the Company hired Segue Ventures as a business consultant and IR/PR representative and in June 2006, Mr. Joe Nordgaard as CEO and a director. Led by Mr. Joe Nordgaard (CFO), Wi-Tron is attempting to grow its customer base through sales of legacy systems while simultaneously developing cutting edge technological designs for near and long term sales growth to leverage into a growing \$2 billion a year amplifier market.

-14-

Wi-Tron has 15 proven product designs for Radio Frequency Amplifiers, Wi-Max Amplifiers, Wi-Fi Solutions and Wireless Repeaters; patents in Analog Pre-Distortion techniques and 15 years experience in custom RF amplifier design and manufacturing.

### HISTORY OF THE RF AMPLIFIER INDUSTRY

Until about 2003, large telecom equipment manufacturers such as Ericsson, Motorola, Nortel and Lucent Technologies maintained comprehensive R&D departments to design and manufactured their own RF amplifiers. This was effective, but expensive and consequently they cut back much of their R&D capabilities to streamline operations and reduce costs. As a result, the industry became more standardized, but telecom service providers now have increased their reliance on outsourced design, manufacturing and solutions.

This outsourcing shift, coupled with the rapid growth in the cellular industry, caused rapid growth of the RF amplifier industry. The two largest US manufacturers, Powerwave Inc. and Andrews Corp., dominate the RF amplifier industry's cutting-edge technologies development, which represents the highest profit margins in the industry. The rest of the industry is serviced by dozens of small companies around the world, who tend to focus on lower technology solutions and lower profit margins. Companies of any size that show R&D prowess are quickly acquired by the industry giants so they retain the most advanced technologies available.

This outsourcing and acquisition trend has led amplifier and component designs toward increased complexity and technical sophistication in the form of complete RF Subsystems. However, there are still major problems in the form of power and signal inefficiencies that the major companies are not solving sufficiently. Much of Wi-Tron's future success is based on solving these problems.

### PLANS FOR IMPROVING RESULTS OF OPERATIONS

At Wi-Tron, Inc., we are taking advantage of many opportunities in the wireless industry by developing state-of-the-art RF amplifier technology for the second, third and fourth generation wireless telecommunications systems. We are developing advanced RF amplifier designs that significantly increase power and



## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

frequency efficiency and resolve key issues relating to the ever increasing need for more complex broadband, multi-channel solutions. We continue to build our R&D team to capitalize on these opportunities, where both the greatest demand and the greatest opportunity to gain market-share with high margin solutions exist.

Initially, Wi Tron will work to increase sales of legacy systems while simultaneously developing cutting edge technological designs for near and long term sales growth. Wi Tron intends to build partnership and marketing strengths from a series of design platforms, some of which have already have been developed, in order to expand our market opportunities across technologies, frequency bands and power ranges.

Our strategy is to develop, manufacture and sell the most advanced amplifier products in the world, which could give Wi Tron a lead time to market advantage against the largest names in the industry. Wi Tron's new amplifiers are energy efficient, have wide bandwidth and digital clarity, with embedded intellectual property protection. These products are in great demand by wireless service providers and equipment vendors around the world. Wi-Tron's products will save energy costs, while providing high speed data, video and streaming video transmissions, with high voice quality to wireless customers around the world. There are additional savings to service providers each Wi-Tron amplifier can do the workload of several older amplifiers.

-15-

We have developed eight new amplifier products for the wireless communications market. Our sales and marketing efforts are focused on Latin America, Asia, Europe and U.S. markets. We plan to establish "Wi-Tron China" to accelerate our penetration of the Chinese market and to manage our outsourced manufacturing operations in China.

Results of Operations - The Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005.

Revenues for the three months ended September 30, 2006 declined by \$88,983 from \$105,363 to \$16,380, or 84% compared to the three months ended September 30, 2005. The majority of the amplifier sales for the three months ended September 30, 2006 were obtained from the Wireless Local Loop amplifier products to a European customer. Sales of amplifiers were 100% of total sales compared to 97% of total sales for the same period last year. The high speed wireless Internet products and broadband solutions accounted for approximately 3% of total sales for the three months ended September 30, 2005.

We continue to develop and refine our amplifier products for the wireless communications market. We have completed the development of our W CDMA amplifier with DSP control, with sales initially targeted at Asian markets. To this end product is being submitted to potential customers for evaluation. If we are successful, we anticipate production orders and as such we are retaining our core production personnel even though the sales of our older products are declining.

Cost of sales was \$58,264 or 356% of sales compared to 167% during the same period for 2005. Gross margin for the three months ended September 30, 2006 amounted to a loss of \$(41,884) (256%) compared to a loss of \$(70,765) (67%), for the same period ended September 30, 2005. The decline in gross margin was principally due to our very low sales volume and the lowered production while staff levels were maintained in preparation for new product production. The

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

Company is continuing to assess cost reduction and is promoting increased product demand to improve gross margins in ensuing periods.

Selling, general and administrative expenses for the three months ended September 30, 2006 increased by \$501,706 to \$707,502 (including share based compensation of \$509,304) from \$205,796 for the same period in 2005. Expressed as a multiple of sales, the selling, general and administrative expenses were approximately 43 times sales in 2006 and approximately 2 times sales in 2005. The principal factors contributing to the increase in selling, general and administrative expenses costs in connection with our efforts to improve administrative activities, including increased accounting costs, as well as management changes requiring additional (mostly share-based) compensation. Excluding share-based compensation, total selling, general and administrative expenses for the three months ended September 30, 2006 decreased by \$7,598 to \$198,198 (approximately 12 time sales) from \$205,796 (approximately 2 times sales) for the same period in 2005. In the quarter ended September 30, 2006, we continued to maintain lower staffing levels. In the fourth quarter of 2006 and in 2007 we anticipate hiring key and essential engineers, technicians and consultants to enhance our R&D program, improve international business development and increase product sales.

-16-

Research, engineering and development expenses were \$79,011 or approximately 5 times net sales for the three months ended September 30, 2006 compared to \$86,570 or 82% of net sales in 2005. In 2006, the principal activity of the business related to the design and production of product for OEM manufacturers, particularly for the W-CDMA with DSP control. The research, engineering and development expenses consist principally of salary cost for engineers and the expenses of equipment purchases specifically for the design and testing of the prototype products. The Company's research and development efforts are influenced by available funds and the level of effort required by the engineering staff on customer specific projects.

Interest income was \$NIL in 2006 and 2005 because we have not been investing our cash balances in interest bearing accounts due to immediate cash flow needs.

In 2006 the Company settled an account with a vendor resulting in a gain of \$17,629.

Interest expense was \$4,501 for the three months ended September 30, 2006 compared to \$2,516 the three months ended September 30, 2005 and was principally related to private placement notes payable in the current year and other convertible notes payable in the preceding year..

As a result of the foregoing, the Company incurred net losses of \$(815,675) or \$(0.02) per share for the quarter ended September 30, 2006 compared with net losses of \$(395,479) or \$(0.04) per share for the same quarter in 2005.

Results of Operations - The Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005.

Revenues for the nine months ended September 30, 2006 declined by \$268,394 from \$402,304 to \$133,910, or 67% compared to the nine months ended September 30, 2005.

The majority of the amplifier sales for the nine months ended September 30, 2006 were obtained from the Wireless Local Loop amplifier products to a European

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

customer.

Cost of sales was \$281,169 or approximately 2 times sales compared to \$469,756 or 117% of sales during the same period for 2005. The decline in gross margin was principally due to our very low sales volume and the lowered production while staff in production was retained in anticipation rotating into new product. The Company is continuing to assess cost reduction and is promoting increased product demand to improve gross margins in 2006.

Selling, general and administrative expenses increased for the nine months ended September 30, 2006 by \$707,985 to \$1,121,804 (including share based compensation of \$563,645) from \$413,819 in 2005. Expressed as a multiple of sales, the selling, general and administrative expenses were approximately 8.4 times sales in 2006 and approximately 1 times sales in 2005. The principal factors contributing to the increase in selling, general and administrative expenses were costs in connection with our efforts to improve administrative activities, including increased accounting costs, as well as management changes requiring additional (mostly share-based) compensation. Excluding share-based compensation, total selling, general and administrative expenses for the nine months ended September 30, 2006 increased by \$144,340 to \$558,159 (approximately 4 time sales) from \$413,819 (approximately 1 times sales) for the same period in 2005. In the quarter ended September 30, 2006, we continued to maintain lower staffing levels. In the fourth quarter of 2006 and in 2007 we anticipate hiring key and essential engineers, technicians and consultants to enhance our R&D program, improve international business development and increase product sales.

-17-

Research, engineering and development expenses were \$255,353 or 191% of net sales for the nine months ended September 30, 2006 compared to \$316,547 or 79% in 2005. In 2006, the principal activity of the business related to the design and production of product for OEM manufacturers, particularly for the W-CDMA amplifier. The research, engineering and development expenses consist principally of salary cost for engineers and the expenses of equipment purchases specifically for the design and testing of the prototype products. The Company's research and development efforts are influenced by available funds and the level of effort required by the engineering staff on customer specific projects.

The Company had other income in 2006 of \$NIL. Other income was \$3,292 in 2005. In 2006 the Company settled an account with a vendor resulting in a gain of \$17,629.

Interest expense was \$13,500 in 2006 compared to \$3,115 in 2005 and was principally related to private placement notes payable in the current year and other convertible notes payable in the preceding year..

As a result of the foregoing, the Company incurred net losses of \$(1,544,178) or \$(0.05) per share for the nine months ended September 30, 2006 compared with net losses of \$(836,939) or \$(0.08) per share for the same period in 2005.

### Liquidity and Capital Resources

Liquidity refers to our ability to generate adequate amounts of cash to meet our needs. We have been generating the cash necessary to fund our operations through the sale of restricted common stock in private placements and paying officers and consultants with restricted common stock, options and warrants in lieu of cash. We have incurred a loss in each year since inception. We expect to incur further losses, that the losses may fluctuate, and that such fluctuations may be substantial. As of September 30, 2006 we had an accumulated deficit of

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

\$26,491,902. Potential immediate sources of liquidity are private placements of common stock.

As of September 30, 2006, our current liabilities exceeded our cash and receivables by \$684,457. Our current ratio was 0.29 to 1.00, but our ratio of accounts receivable to current liabilities was only 0.18 to 1.00. This indicates that we will have difficulty meeting our obligations as they come due. We are carrying \$92,243 in inventory, of which \$21,675 represents component parts. Based on year to date usage, we are carrying 86 days worth of parts inventory. Because of the lead times in our manufacturing process, we will likely need to replenish many items before we use everything we now have in stock. Accordingly, we will need more cash to replenish our component parts inventory before we are able to realize cash from all of our existing inventories.

Our cash used for operating activities was \$1,183,018. This year we repaid officer loans of \$76,346.

Because of our small number of customers and low sales volume, accounts receivable balances and allowances for doubtful accounts do not reflect a consistent relationship to sales. We determine our allowance for doubtful accounts based on a specific customer-by-customer review of collectible accounts. At September 30, 2006 and December 31, 2005 no allowance for doubtful accounts was required.

Our inventories decreased by \$16,348 to \$92,243 in 2006 compared to \$108,591 at December 31, 2005, a decrease of 15%.

The Company has a lease obligation for its premises and certain equipment requiring minimum monthly payments of approximately \$5,500 to \$6,000 through 2008.

In the past, the officers of the Company have deferred a portion of their salaries or provided loans to the Company to meet short-term liquidity requirements. Where possible, the Company has issued stock or granted warrants to certain vendors in lieu of cash payments, and may do so in the future. There can be no assurance that any additional financing will be available to the Company on acceptable terms, or at all. If adequate funds are not available, the Company may be required to delay, scale back or eliminate its research, engineering and development or manufacturing programs or obtain funds through arrangements with partners or others that may require the Company to relinquish rights to certain of its technologies or potential products or other assets. Accordingly, the inability to obtain such financing could have a material adverse effect on the Company's business, financial condition and results of operations.

-18-

### Critical Accounting Policies

#### 1. REVENUE RECOGNITION

Revenue is recognized upon shipment of products to customers because our shipping terms are F.O.B. shipping point. And there are generally no rights of return, customer acceptance protocols, installation or any other post-shipment obligations. All of our products are custom built to customer specifications. We provide an industry standard one-year limited warranty under which the customer may return the defective product for repair or replacement.

#### 2. INVENTORIES

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

Inventories are stated at the lower of cost or market; cost is determined using the first-in, first-out method. As virtually all of our products are made to customer specifications, we do not keep finished goods in stock except for completed customer orders that have not been shipped. Our work-in-progress generally consists of customer orders that are in the process of manufacture but are not yet complete at the period end date. We review all of our components for obsolescence and excess quantities on a periodic basis and make the necessary adjustments to net realizable value as deemed necessary.

### 3. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Because of our small customer base, we determine our allowance for doubtful accounts based on a specific customer-by-customer review of collectible accounts. Therefore, our allowance for doubtful accounts and our provision for doubtful accounts may not bear a consistent relationship to sales but we believe that this is the most accurate and conservative approach under our circumstances.

### 4. USE OF ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. The principal areas that we use estimates in are: allowance for doubtful accounts; work-in-process percentage of completion; accounting for stock based employee compensation; and inventory net realizable values.

### 5. STOCK-BASED EMPLOYEE COMPENSATION

The proforma disclosures previously permitted are no longer an alternative to financial statement recognition. Accordingly, the Company has adopted FASB Statement No. 123R and has recognized \$563,645 of stock-based compensation for the nine months ended September 30, 2006.

### 6. LOSS PER SHARE

Statement of Financial Accounting Standards No.128 (SFAS No. 128), Earnings per Share, specifies the computation, presentation and disclosure requirements for earnings per share for entities with publicly held common stock or potential common stock.

-19-

Net loss per common share - basic and diluted is determined by dividing the net loss by the weighted average number of shares of common stock outstanding. Net loss per common share - diluted does not include potential common shares derived from stock options and warrants because they are antidilutive.

### Item 3. CONTROLS AND PROCEDURES

#### (a) Evaluation of Disclosure Controls and Procedures:

Management is responsible for establishing and maintaining adequate disclosure controls and procedures.

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

WI-TRON, INC. carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 and 15d-15. Based upon that evaluation, the chief Executive and Principal Accounting Officer concluded that the Company's disclosure controls and procedures were not effective both as of September 30, 2006 and the date of this filing, in timely alerting them to material information required to be included in the Company's periodic SEC filings relating to the Company. Our conclusions regarding the deficiencies appear in the next item.

Our controls relating to disclosure and related assertions in the financial statements, particularly in the area of non-routine and non-systematic transactions were not adequate.

\* We had particular difficulty in recording transactions related to stockholders' equity and tracking and recording related charges to operations.

\* We found that our ability to track our inventory quantities and to correctly apply complex pricing calculations to finished goods and work-in-progress is inadequate and resulted in substantial additional adjustments. Furthermore, we discovered that lower of cost or market tests were not adequately applied.

\* Although we produced our financial statements and Form 10-QSB without outside assistance for the current quarter, we believe that we may need to engage the assistance of a third party financial accounting consulting firm as our transactions, particularly in the area of stockholders' equity, become more complex.

### (b) Changes in Internal Controls Over Financial Reporting:

We have instituted additional monitoring procedures by the Chief Financial Officer, but otherwise have made no changes that have materially affected or are likely to materially affect our internal controls over financial reporting.

-20-

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

None

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

Except as otherwise noted, the securities described in this Item were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 and/or Regulation D promulgated under the Securities Act. Each such issuance was made pursuant to individual contracts that are discrete from one another and are made only with persons who were sophisticated in such transactions and who had knowledge of and access to sufficient information about Wi-Tron, Inc. to make an informed investment decision.

Proceeds from all securities sales were used to fund day-to-day operations of the Company.

## Edgar Filing: Wi-Tron, Inc. - Form 10QSB

Date	Title	Shares Issued	Person or Class of Persons	Total Offering Price	Type of Consideration
07/01/06	Common	250,000	Secretary	\$ 91,250	Compensation
07/15/06	Common	125,000	Secretary	36,250	Compensation
07/18/06	Common	800,000	Secretary	200,000	Cash
07/18/06	Common	80,000	Secretary	20,000	Compensation
08/15/06	Common	125,000	Secretary	37,500	Compensation
09/05/06	Common	300,000	Chairman	N/A	Conversion of preferred shares
09/15/06	Common	125,000	Secretary	41,250	Compensation
09/15/06	Common	500,000	V.P.	185,000	Compensation
09/16/06	Common	1,000,000	Secretary	250,000	Cash
09/16/06	Common	132,246	Employee	46,286	Compensation
09/20/06	Common	40,000	CEO	13,200	Cash
09/20/06	Common	200,000	CFO	N/A	Conversion of preferred shares
09/20/06	Common	40,000	Employees	13,200	Options exercise
		-----		-----	
		3,717,246		\$933,936	
		=====		=====	

### ITEM 3. Defaults Upon Senior Securities.

We are in default on payments of principal and interest on the notes payable in connection with private placement of notes and common stock in the aggregate principal amount of \$300,000 and accrued interest of \$20,515.

### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### Item 5. OTHER INFORMATION

Officers of the Company have voluntarily surrendered certain potential future rights that could have resulted in the issuance of 6,200,000 options to acquire the Company's common stock. A lawyer also voluntarily surrendered options to acquire 250,000 shares of the company's common stock.

-21-

### Item 6. EXHIBITS

The following is a list of exhibits to this Form 10-QSB:

- 10.1 - Employment Agreement - Devendar S. Bains
- 10.2 - Employment Agreement - Tarlochan S. Bains
- 10.3 - Consulting Agreement - Segue Ventures LLC
- 31.1 - Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- 31.2 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Edgar Filing: Wi-Tron, Inc. - Form 10QSB

- 32.1 - Certification of the Company's Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
- 32.2 - Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

-22-

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WI-TRON, INC.

Dated: November 17, 2006

By: /s/ Joe Nordgaard

-----  
Name: Joe Nordgaard  
Title: Chief Executive Officer,

Dated: November 17, 2006

By: /s/ Jessica Lee

-----  
Name: Jessica Lee  
Title Chief Financial Officer

-23-