

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

Wi-Tron, Inc.  
Form 10-Q  
November 19, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008.

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 LaGrange Street  
Raritan, New Jersey 08869  
(Address of principal executive offices)

(908) 253-6870

(Issuer's telephone number)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 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 large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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 19, 2008 was 76,778,293.



WI-TRON, INC.  
 FORM 10-QSB  
 NINE MONTHS ENDED SEPTEMBER 30, 2008

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The following unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading.

It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest shareholders' annual report (Form 10-KSB).

**PART I - FINANCIAL INFORMATION**

## Item 1. Financial Statements

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

<b>ASSETS</b>	September 30 2008 Unaudited	December 31 2007
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 13,917
Accounts receivable, net of allowance for doubtful accounts of \$9,000 and \$702 in 2008 and 2007, respectively	4,625	7,834
Inventories	60,906	42,500
Prepaid expenses and other current assets	783	-
<b>Total current assets</b>	<b>66,314</b>	<b>64,251</b>
<b>PROPERTY AND EQUIPMENT - AT COST</b>		
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	(633,212)	(629,965)
	5,955	9,202
<b>SECURITY DEPOSITS AND OTHER NON-CURRENT ASSETS</b>	<b>5,500</b>	<b>5,500</b>
<b>Total Assets</b>	<b>\$ 77,769</b>	<b>\$ 78,953</b>

The accompanying notes are an integral part of these financial statements

**WI-TRON, INC.**  
**BALANCE SHEETS**  
(Continued)

<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>	September 30 2008 Unaudited	December 31 2007
<b>CURRENT LIABILITIES</b>		
Bank Overdraft	\$ 633	\$ -
Secured note payable in connection with Phoenix investor rescinded agreement - payment in default	10,000	10,000
Notes payable issued in connection with private placement of common stock, including accrued interest of \$56,510 (2008) and \$43,016 (2007) - payment in default	356,516	343,016
Accounts payable	145,453	255,281
Accrued expenses and other current liabilities (including delinquent federal and state payroll taxes, penalties and interest aggregating \$289,520 at September 30, 2008 and \$263,322 at December 31, 2007)	618,649	395,097
Loans payable to Tek, Ltd.	1,130,071	908,662
Advances from customers	42,450	-
Loans payable - officers	8,395	159,511
<b>Total current liabilities</b>	<b>2,312,167</b>	<b>2,071,567</b>
<b>STOCKHOLDERS' (DEFICIENCY)</b>		
Convertible Preferred stock, Series D authorized 1,000,000 shares at \$.0001 par value; issued and outstanding 472,480 shares at September 30, 2008 and no shares December 31, 2007, with a liquidation preference of \$0.01 per share	47	-
Convertible Preferred stock, Series C authorized 5,000,000 shares of \$.0001 par value; no shares issued or outstanding at September 30, 2008 and December 31, 2007 with a liquidation preference of \$2.00 per share	-	-
Common stock - authorized, 100,000,000 shares of \$.0001 par value; shares 76,778,293 and 50,028,293 shares issued and outstanding at September 30, 2008 and December 31, 2007	7,678	5,003
Additional paid-in capital	27,111,737	26,007,755
Accumulated deficit	(29,353,860)	(28,005,372)
<b>Total Stockholders' (Deficiency)</b>	<b>(2,234,398)</b>	<b>(1,992,614)</b>
<b>Total Liabilities and Stockholders' (Deficiency)</b>	<b>\$ 77,769</b>	<b>\$ 78,953</b>

The accompanying notes are an integral part of these financial statements



**WI-TRON, INC.**  
**STATEMENTS OF OPERATIONS (Unaudited)**

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Net sales	\$ 24,872	16,000	\$ 69,774	\$ 72,225
Cost of goods sold	81,259	44,945	234,868	190,111
Gross (loss)	(56,387)	(28,945)	(165,094)	(117,886)
Operating expenses				
Selling, general and administrative	158,182	102,923	687,155	364,476
Research, engineering and development	107,020	102,050	335,615	386,209
Total operating expenses	265,202	204,973	1,022,770	750,685
Operating loss	(321,589)	(233,918)	(1,187,864)	(868,571)
Nonoperating income (expenses)				
Interest income and other income	-	-	169	-
Debt conversion and loan acquisition costs	-	-	(111,500)	-
Interest expense	(8,001)	(4,501)	(19,262)	(13,500)
Tax penalties and interest	(14,379)	(20,361)	(29,021)	(56,309)
Loss before income taxes.	(343,969)	(258,780)	(1,347,478)	(938,380)
Provision for income taxes	-	1,264	1,010	1,784
NET LOSS	\$ (343,969)	\$ (260,044)	\$ (1,348,488)	\$ (940,164)
Net loss per share - basic and diluted	\$ NIL	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	76,778,293	50,028,293	63,840,106	49,500,454

The accompanying notes are an integral part of these financial statements

**WI-TRON, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY**  
**Nine Months Ended September 30, 2008**

	Series D Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Par Value	Shares	Par Value			
BALANCE AT DECEMBER 31, 2007	-	\$ -	50,028,293	\$ 5,003	\$ 26,007,755	\$ (28,005,372)	\$ (1,992,614)
Net loss for the nine months ended September 30, 2008						(1,348,488)	(1,348,488)
Private placement of common stock			15,250,000	1,525	213,475		215,000
Amortization of share based compensation					7,467		7,467
Common Stock issued to investor relations firm			2,500,000	250	87,250		87,500
Common Stock issued to Devendar Bains in settlement of debt			3,000,000	300	149,700		150,000
Conversion of debt into common shares			2,500,000	250	62,500		62,750
Partial conversion of Tek, Ltd. loan payable into common shares			1,700,000	170	65,830		66,000
Common shares issued to employee in lieu of salary			1,800,000	180	86,820		87,000
Private placement of Series D Preferred Stock, net of offering expenses of \$36,250	472,480	47			430,940		430,987
BALANCE AT SEPTEMBER 30, 2008	472,480	\$ 47	76,778,293	\$ 7,678	\$ 27,111,737	\$ (29,353,860)	\$ (2,234,398)



The accompanying notes are an integral part of these financial statements

**WI-TRON, INC.**  
**STATEMENTS OF CASH FLOWS - UNAUDITED**

Nine Months Ended September 30,  
2008                                  2007

<b>Operating activities:</b>		
Net Loss	\$ (1,348,488)	\$ (940,164)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,247	3,248
Provision for doubtful accounts	-	9,000
Amortization of share based compensation	7,467	7,466
Debt and loan acquisition conversion costs	111,500	-
Interest accrued on notes payable issued in connection with private placement of common stock	13,500	13,500
Common shares issued to public relations firm	87,500	-
Common shares issued to employee in lieu of salary	87,000	-
Changes in assets and liabilities		
Accounts receivable	3,209	14,996
Inventories	(18,406)	889
Prepaid expenses and other assets	(783)	-
Customer advances	42,450	-
Accounts payable and accrued expenses	113,724	309,989
Total adjustments	450,408	359,088
Net cash (used) for operating activities	(898,080)	(581,076)
<b>Financing activities:</b>		
Overdraft	633	405
Advances from Tek, Ltd.	238,659	580,671
Officer loans	(1,116)	-
Proceeds from loan	50,000	-
Loan repayment	(50,000)	-
Net proceeds from private placement escrow in connection with subscription agreements for 472,480 shares of Series D Preferred Stock	430,987	-
Proceeds from private placements of common stock	215,000	-
Net cash provided by financing activities	884,163	581,076
<b>DECREASE IN CASH</b>	<b>(13,917)</b>	<b>-</b>
Cash at beginning of period	13,917	-
<b>Cash at end of period</b>	<b>\$ -</b>	<b>\$ -</b>
Supplemental disclosures of cash flow information:		
Cash paid for: Interest	\$ -	\$ -
Income taxes	\$ 1,010	\$ 1,784
Non-cash financing activities		

Conversion of Note Payable to Devendar Bains (former CEO) into 3,000,000 shares of restricted common stock	\$	150,000	\$	-
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**WI-TRON, INC.**  
**Notes to Financial Statements (Unaudited)**  
**September 30, 2008**

**NOTE A - ADJUSTMENTS AND RECENT DEVELOPMENTS**

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 month periods ended September 30, 2008 and 2007 (b) the financial position at September 30, 2008 (c) the statements of cash flows for the three month period ended September 30, 2008 and 2007, and (d) the changes in stockholders' deficiency for the three month period ended September 30, 2008 have been made. The results of operations for the three months ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year.

In February 2008, the Company entered into a letter of intent providing for the acquisition of all of the outstanding shares of Cellvine in exchange for 85% of the outstanding common stock of Wi-tron on a fully diluted basis, leaving the existing owners of the Company's common stock with 15% on a fully diluted basis. Among other things, the agreement provides for the conversion of the Tek, Ltd. debt (\$1,130,071 at September 30, 2008) into common stock at \$.05 per share. Pursuant to the merger, the Company will change its name to Cellvine. While the parties are still planning to consummate the merger, it has not as yet been completed. The ultimate date of completion, or whether the merger will actually be consummated, has not as yet been determined.

In February 2008, the Company received gross proceeds of \$215,000 in connection with the private placement sale to accredited investors of 15,250,000 shares of restricted common stock.

Effective in May 2008, the Company entered into a Promissory Note Settlement Agreement with Devendar S. Bains, a former executive officer of the Company (former CEO) whereby 3,000,000 shares of restricted common stock of the Company was issued in exchange for debt previously owed by the Company to such person in the amount of \$150,000.

In May 2008, the Company entered into a Debt Conversion Agreement with its CEO where the Company would issue up to 18,500,000 shares of restricted common stock in exchange for debt in the amount of \$925,000. Such debt will be converted at the election of the Company at \$0.05 per share. Conversion of such debt will be at the Company's election but is expected to occur prior to the completion of a merger with Cellvine, Ltd. as disclosed in these Notes.

From May through September 2008, the Company received net proceeds of \$430,987 from escrow representing the net proceeds of the private placement sale to accredited investors of 472,480 shares of unregistered Series D Preferred Stock. Series D Preferred stock is convertible into 100 shares of Common Stock at the rate of 100 shares of common to each share of preferred. The preferred shares provide for a liquidation preference of \$.01 per share and full voting rights. The subscription agreements provide for full anti-dilution rights in connection with the Cellvine merger.

**NOTE B - UNAUDITED INTERIM FINANCIAL INFORMATION**

The accompanying unaudited financial statements have been prepared in 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, 2007 included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 14, 2008.

**WI-TRON, INC.**  
**Notes to Financial Statements (Unaudited)**  
**September 30, 2008**

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 WI-TRON, INC. for the nine months ended September 30, 2008, has no cash and its working capital declined by \$238,537 to a deficiency of \$2,245,853 since the beginning of the fiscal year. Current liabilities exceed cash and receivables by \$2,307,542 indicating that the Company will have substantial 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 loans from the Chief Executive Officer and private placements of common stock.

**NOTE C - STOCKHOLDERS' EQUITY**

**1. Warrants and Options**

At September 30, 2008, the following 1,370,000 warrants, remained outstanding:

- (1) 20,000 exercisable at \$1.00 through May 2010
- (2) 600,000 exercisable at \$.20 through August 2009
- (3) 750,000 exercisable at \$.20 through August 2009

At September 30, 2008, the Company had employee stock options outstanding to acquire 2,800,000 shares of common stock at exercise prices of \$0.15 to \$.20 per share.

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

From May through September 2008, the Company received \$430,987 from escrow representing the net proceeds of the private placement sale to accredited investors of 472,480 shares of unregistered Series D Preferred Stock. Series D Preferred stock is convertible into 100 shares of Common Stock at the rate of 100 shares of common to each share of preferred. The preferred shares provide for a liquidation preference of \$.01 per share and full voting rights. The subscription agreements provide for full anti-dilution rights in connection with the Cellvine merger. In connection with and out of the proceeds of this private placement, an agent was paid \$36,250 in compensation.

In February 2008, the Company received \$215,000 in proceeds from the private placement of 15,250,000 shares of restricted common stock to accredited investors.

In August 2005, the Company completed a private placement of common stock and notes payable. These notes with a total balance of \$356,516 including accrued interest of \$56,510 remain unpaid at September 30, 2008. No actions have been taken by the note holders to collect the balance up to and since September 30, 2008 through the date of this filing.

**WI-TRON, INC.**  
**Notes to Financial Statements (Unaudited)**  
**September 30, 2008**

3. Stock based Compensation and Other Equity Transactions

In March 2008, the Company issued an aggregate of 1,800,000 shares of Common Stock to an employee in lieu of compensation, valued \$87,500 at the dates of the transactions.

In March 2008, the Company issued an aggregate of 1,700,000 shares of restricted Common Stock to John Lee and his designees in exchange for reduction of debt to Tek, Ltd. in the amount of \$17,000. Such shares were valued at \$66,000 at the respective dates of issuance, resulting in a charge to operations of \$49,000.

In March 2008, the Company issued 2,500,000 of restricted common stock to an accredited investor in compensation for a loan of \$50,000. The loan was repaid in August 2008.

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.

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.

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.

**WI-TRON, INC.**  
**Notes to Financial Statements (Unaudited)**  
**September 30, 2008**

**NOTE F - LIQUIDITY**

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. The Company has incurred losses of \$1,348,488 and \$940,164 for the nine months ended September 30, 2008 and 2007, respectively.

With no cash and reduced revenues, management believes that the Company will have great difficulty meeting its working capital and litigation settlement obligations over the next 12 months. The Company is presently dependent on cash flows generated from sales and private placements of common stock to meet our obligations. Our failure to consummate a merger with an appropriate partner or to substantially improve our revenues will have serious adverse consequences and, accordingly, there is substantial doubt in our ability to remain in business over the next 12 months. There can be no assurance that any 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.

Management's plans for dealing with the foregoing matters include:

- o Increasing sales of its high speed internet connectivity products through both individual customers, strategic alliances and mergers.
- o Decreasing the dependency on certain major customers by aggressively seeking other customers in the amplifier markets;
- o Partnering with significant companies to jointly develop innovative products, which has yielded orders with multinational companies to date, and which are expected to further expand such relationships;
- o Maintaining a reduced cost structure through a more streamlined operation by using automated machinery to produce components for our products;
- o Deferral of payments of officers' salaries, as needed;
- o Selling remaining net operating losses applicable to the State of New Jersey, pursuant to a special government high-technology incentive program in order to provide working capital, if possible;
- o Reducing overhead costs and general expenditures.
- o Merging with another company to provide adequate working capital and jointly develop innovative products.

**NOTE G - OFFICER LOANS**

As of September 30, 2008, the Company owes \$8,395 to the Vice President of Operations for loans and unpaid salaries. These balances are non-interest bearing, unsecured, and have no fixed maturity dates.





**WI-TRON, INC.**  
**Notes to Financial Statements (Unaudited)**  
**September 30, 2008**

**NOTE H - SEGMENT INFORMATION**

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

**NOTE I - RELATED PARTY TRANSACTIONS**

As of September 30, 2008, the aggregate balance due to Tek, Ltd. (a company wholly owned by John C. Lee, the Company's Chairman and Chief Executive Officer) was \$1,130,071. Due to the Company's lack of available funds requiring C.O.D. terms from most vendors, Tek purchases parts and leases equipment on behalf of and for the benefit of the Company and re-sells the materials or services to the Company at cost. During the nine months ended September 30, 2008, Tek advanced funds to or on behalf of the Company of \$238,659.

Effective May 2008, the Company entered into a Promissory Note Settlement Agreement with a former executive officer of the Company (former CEO) whereby 3,000,000 shares of restricted common stock of the Company was issued in exchange for debt previously owed by the Company to such person in the amount of \$150,000.

In May 2008, the Company entered into a Debt Conversion Agreement with its CEO where the Company would issue up to 18,500,000 shares of restricted common stock in exchange for debt in the amount of \$925,000. Such debt will be converted at the election of the Company at \$0.05 per share. Conversion of such debt will be at the Company's election but is expected to occur prior to the completion of a merger with Cellvine, Ltd. as disclosed in these Notes.

In May 2008, in connection with the Company execution of a Merger Agreement with Cellvine, Ltd., officers and other persons having employment agreements with the Company agreed to terminate such agreements and waive rights to severance in connection with the completion of the merger with Cellvine Ltd. In exchange, such officers will receive revised employment agreements and an aggregate of 6,000,000 shares of restricted common stock upon the closing of and conditional upon the merger with Cellvine Ltd.

**NOTE J - COMMITMENTS AND OTHER COMMENTS**

1. Premises leases

On April 22, 2005, concurrent with the closing of the purchase of the building by Tek, the Company entered into a non-cancelable operating lease with Tek which commences on June 1, 2005 and expired on May 31, 2008. Tek is holding a security deposit of \$5,500 in connection with this lease.

Rent expense, including the Company's share of real estate taxes, utilities and other occupancy costs, was \$60,750 and \$54,000 for the nine months ended September 30, 2008 and 2007, respectively.

**WI-TRON, INC.**

**Notes to Financial Statements (Unaudited)**

**September 30, 2008**

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"), which was later rescinded. 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, 2008 was \$10,000. As yet, no action has been taken by Phoenix concerning this default.

## **PART I - FINANCIAL INFORMATION**

### **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF**

#### **Financial Condition and Results of Operations**

##### **Results of Operations - The Three Months Ended September 30, 2008 Compared to the Three Months Ended September 30, 2007 .**

Revenues for the three months ended September 30, 2008 increased by \$8,872 from \$16,000 to \$24,872, or (3)% compared to the same period in the preceding year. The sales increases were primarily attributable to amplifier purchases by Cellvine.

The Company has continued to develop and refine its amplifier products for the wireless communications market. Sales and marketing efforts have been focused on Asian markets.

Cost of sales was \$234,868 or 337% of sales compared to \$190,111 or 263% of sales during the same period for 2007. Gross margin for the three months ended September 30, 2008 amounted to a loss of \$(56,387) compared to a loss of \$(28,945) for the three months ended September 30, 2007.

Selling, general and administrative expenses increased in 2008 by \$55,259 to \$158,182 from \$102,923 in 2007. Expressed as a percentage of sales, the selling, general and administrative expenses were 985% in 2008 and 505% in 2007. The principal factors contributing to the increase were professional fees mostly in connection with the Cellvine merger.

Research, engineering and development expenses were \$107,020 or 481% of net sales for the three months ended September 30, 2008 compared to \$102,050 or 535% of net sales in 2007. In 2008, 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.

Interest income was \$NIL in 2008 and 2007 because we have had no available cash balances to invest.

Interest expense and tax penalties were \$22,380 in 2008 compared to \$24,862 in 2007 with the reduction attributable to a reduction in payroll tax liabilities outstanding.

##### **Results of Operations - The Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007.**

Revenues for the nine months ended September 30, 2008 decreased by \$(2,451) from \$72,225 to \$69,774, or (3)% compared to the nine months ended September 30, 2007.

The Company has continued to develop and refine its amplifier products for the wireless communications market. Sales and marketing efforts have been focused on Asian markets.

Cost of sales was \$234,868 or 337% of sales compared to \$190,111 or 281% of sales during the same period for 2007. The improvement in gross margin was principally due to increased sales volume. However, the analysis is not meaningful as sales are still too low to develop operating efficiencies to improve gross margins.



Selling, general and administrative expenses increased in 2008 by \$322,679 to \$687,155 from \$364,476, in 2007. Expressed as a percentage of sales, the selling, general and administrative (SG&A) expenses were 985% in 2008 and 505% in 2007. The principal factors contributing to the increase were professional fees, mostly in connection with the Cellvine merger.

Research, engineering and development expenses were \$335,615 or 481% of net sales for the nine months ended September 30, 2008 compared to \$386,209 or 535% of net sales in 2007. In 2008 and 2007, the principal activity of the business related to the design and production of product for OEM manufacturers, particularly for the W-CDMA amplifier and 3.5 GHz single channel products and refinements to the High Speed Internet products. The research, engineering and development expenses consist principally of salary cost for engineers and the expenses of equipment rentals 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.

We had interest income of \$169 in 2008 and \$NIL in 2007 because our excess cash balances which we have historically temporarily invested in interest bearing accounts have been fully depleted.

Interest expense was \$19,262 for 2008 compared to \$13,500 in 2007, with much of the increase related to Loans Payable to Tek, Ltd. Tax penalties and interest were \$29,021 in 2008 compared to \$56,309 in 2007 with the reduction attributable to a reduction in older payroll tax delinquencies.

We incurred non-cash charges aggregating \$111,500 in connection stock issuances for a loan from an accredited investor and the partial conversion of debt due to Tek, Ltd.

As a result of the foregoing, the Company incurred net losses of \$1,348,488 or \$0.02 per share for the nine months ended September 30, 2008 compared with net losses of \$940,164 or \$0.02 per share for the same period in 2007.

### **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 from private placements. We have incurred a loss in each year since inception. It is possible that we will incur further losses, that the losses may fluctuate, and that such fluctuations may be substantial. As of September 30, 2008, we had an accumulated deficit of \$29,353,860. Potential immediate sources of liquidity continued to be private placements of common stock short-term loans and advances from Tek, Ltd..

As of September 30, 2008, our current liabilities exceeded our cash and receivables by \$2,307,542. Our current ratio was 0.03 to 1.00, but our ratio of accounts receivable to current liabilities was only - to 1.00. While this indicates that we will have difficulty meeting our obligations as they come due, we are hopeful that the merger with Cellvine will help to mitigate this concern, although we may still have need for additional liquidity after its consummation. We are carrying \$60,906 in inventory, of which \$53,552 represents component parts. 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 realize cash from all of our existing inventories.

As of September 30, 2008, we had a bank overdraft of \$633 compared to cash in banks of \$13,917 at December 31, 2007. Accordingly, our cash position declined by \$14,550 during 2008. Our cash used for operating activities was \$898,080. We received proceeds from private placements of equity securities of \$645,987 during the nine months ended September 30, 2008. Tek, Ltd., a company wholly owned by John C. Lee, loaned the Company \$238,659 during the nine months ended September 30, 2008.

The allowance for doubtful accounts on trade receivables was \$9,000 at September 30, 2008. Because of our relatively 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 collectibility.

Our inventories increased by \$18,406 to \$60,906 in 2008 compared to \$42,500 at December 31 2007, a increase of 43%.

The Company continues to explore strategic relationships with ISP's, customers and others, which could involve jointly developed products, revenue-sharing models, investments in or by the Company, or other arrangements. There can be no assurance that a strategic relationship can be consummated.

With no remaining cash and no near term prospects of private placements, options or warrant exercises and reduced revenues, we could have difficulty meeting our working capital obligations over the next 12 months. While we may continue to have working capital concerns after the consummation of the merger with Cellvine, we believe that the merger will substantially reduce those concerns. Should we be unable to consummate the merger with Cellvine, and/or substantially improve our revenues, there may be serious adverse consequences and, accordingly, there remains substantial doubt in our ability to remain in business over the next 12 months. There can be no assurance that the merger with Cellvine will close. There can further be no assurance that any financing from other sources 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 consummate the Cellvine merger or obtain financing from other sources could have a material adverse effect on the Company's business, financial condition and results of operations.

### **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**

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 collectibility. 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 \$94,467 of stock-based employee compensation for the nine months ended September 30, 2008.

### 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.

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.

### 7. SEGMENT INFORMATION

We discontinued our internet business to concentrate on our core competence, which is in the amplifier business. Accordingly, we currently operate in one segment.

### **Item 3. CONTROLS AND PROCEDURES**

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, with the participation of the Company's Chief Executive Officer ("CEO") and Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report in reaching a reasonable level of assurance that the information required to be disclosed by the Company in the reports that it files with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms. Based upon that evaluation, the CEO and Principal Financial Officer concluded that the Company's disclosure controls and procedures continued to be ineffective as of the end of the period covered by this report. The evaluation further disclosed an additional material weakness in the areas of revenue recognition.

As required by Exchange Act Rule 13a-15(d), the Company's management, including the Chief Executive Officer and Principal Financial Officer, conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the fiscal quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, other than the changes reported in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, which remained in effect during the nine months ended September 30, 2008, there were no other changes during such quarter.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

See Note E to the Company's financial statements set forth in Part I.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the nine months ended September 30, 2008, the Company issued securities as follows.

In February 2008, the Company issued 15,250,000 shares of restricted common stock to various accredited investors for aggregate gross proceeds of \$215,000.

From May through September 2008, the Company received \$430,987 from escrow representing the net proceeds of the private placement sale to accredited investors of 472,480 shares of unregistered Series D Preferred Stock. Series D Preferred stock is convertible into 100 shares of Common Stock at the rate of 100 shares of common to each share of preferred. The preferred shares provide for a liquidation preference of \$.01 per share and full voting rights. The subscription agreements provide for full anti-dilution rights in connection with the Cellvine merger.

Proceeds with respect to the amounts raised were for general working capital purposes and to repay outstanding liabilities related to payroll taxes.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

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

None.



**ITEM 5. OTHER INFORMATION.**

None.

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**ITEM 6. EXHIBITS**

(a) (2) Exhibits

- |          |   |
|----------|---|
| 1.1(1)   | Form of Underwriting Agreement  |
| 1.2(1)   | Form of Selected Dealer Agreement                                       |
| 1.3(1)   | Form of Agreement Among Underwriters                                    |
| 3.1(1)   | Certificate of Incorporation of the Company                             |
| 3.2(1)   | Certificate of Merger (Delaware)  |
| 3.3(1)   | Certificate of Merger (New Jersey)                                      |
| 3.4(1)   | Agreement and Plan of Merger  |
| 3.5(1)   | By-Laws of the Company  |
| 3.6(2)   | Certificate of Designation of Series A Preferred Stock                  |
| 3.7(3)   | Certificate of Amendment to the Certificate of Incorporation            |
| 4.1(1)   | Specimen Certificate for shares of Common Stock                         |
| 4.2(1)   | Specimen Certificate for Warrants                                       |
| 4.3(1)   | Form of Underwriter's Purchase Option                                   |
| 4.4(1)   | Form of Warrant Agreement   |
| 10.1(1)  | 1996 Incentive Stock Option Plan  |
| 10.2(1)  | Employment Agreement between the Company and Devendar S. Bains          |
| 10.3(1)  | Employment Agreement between the Company and Tarlochan Bains            |
| 10.4(1)  | Employment Agreement between the Company and Nirmal Bains               |
| 10.5     | Intentionally Omitted   |
| 10.6     | Intentionally Omitted   |
| 10.7(1)  | Agreement between the Company and Electronic Marketing Associates, Inc. |
| 10.8(1)  | Agreement between the Company and Link Microtek Limited.                |
| 10.9(1)  | Agreement between the Company and ENS Engineering.                      |
| 10.10(4) | Settlement Agreement between John Chase Lee and the Company             |
| 10.11(5) | 2005 Stock Option Plan  |
| 10.12(7) | Merger Agreement and Plan of Reorganization                             |
| 14(6)    | Code of Ethics  |
- 31.1\* Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 (18 U.S.C. Sec. 1350).
- 31.2\* Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sec. 1350).
- 32.1\* Written Statement of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
- 32.2\* Written Statement of Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
- (1) Incorporated by Reference to the Company's Registration Statement on Form SB-2, No. 333-11015.
- (2) Incorporated by Reference to the Company's Current Report on Form 8-K filed on August 3, 1999.
- (3) Incorporated by Reference to the Company's Current Report on Form 8-K filed on November 9, 2005.
- (4) Incorporated by Reference to the Company's Current Report on Form 8-K filed on July 21, 2005.
- (5) Incorporated by Reference to the Company's Annual Report for December 31, 2005 on Form 10-KSB filed on April 6, 2006.
- (6) Incorporated by Reference to the Company's Annual Report for December 31, 2006 on Form 10-KSB filed on May 18, 2007.
- (7) Incorporated by Reference to the Company's Quarterly Report for June 30, 2008 on Form 10-Q filed on August 19, 2008.

\* Filed herewith.



**SIGNATURES**

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

WI-TRON, INC.

Dated: November 19, 2008

By: /s/ John C. Lee

\_\_\_\_\_  
Name: John C. Lee  
Title: Chief Executive Officer and Director

Dated: November 19, 2008

By: /s/ Tarlochan S. Bains

\_\_\_\_\_  
Name: Tarlochan S. Bains  
Title: Vice President and Principal Accounting Officer

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
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