IMMEDIATEK INC
Form 10QSB
August 14, 2003

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

Form 10-QSB

(Mark One)

[x] Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2003.

[ ] Transition Report under Section 13 or 15(d)of the Exchange Act For the Transition Period from ________ to ___________

Commission File Number: 000-26073

Immediatek, Inc.

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

Nevada	86-0881193
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification)

2435 N. Central Expressway Suite 1200, Richardson, TX	75080
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (214) 712-7336

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

Check whether the Registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

Common Stock, $0.001 par value per share, 500,000,000 shares authorized, as of April 30, 2003, the issuer had 20,379,997 shares of common stock outstanding.

Traditional Small Business Disclosure Format (check one)

Yes [ ] No [X]

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND EXHIBITS

Immediatek, Inc
(formerly ModernGroove Entertainment, Inc.)
(a Development Stage Company)
Balance Sheet
Unaudited

	June 30, 2003
Assets	
Current assets:	
Cash	$ 27,356
Accounts receivable	1,647
Prepaid expenses	1,845
Total current assets	30,848
Fixed assets, net	1,487
Intellectual property	18,101
	$ 50,436
Liabilities and Stockholders' (Deficit)	
Current liabilities:	
Accounts payable	$ 41,950
Notes payable	122,500
Shareholder loan	7,500
Total current liabilities	171,950
Stockholders' (deficit):	
Common stock, $0.001 par value, 500,000,000 shares authorized, 20,379,997 shares issued and outstanding	20,380
Additional paid-in capital	2,868,685
(Deficit) accumulated during development stage	(3,010,579)
	(121,514)
	$ 50,436

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

Immediatek, Inc.
(formerly ModernGroove Entertainment, Inc.)
(a Development Stage Company)
Statements of Operations
Unaudited

	Three months ended June 30, 2003	Three months ended June 30, 2002	Six mont ended June 30 2003
Revenue	$ 31,048	$ 26,512	$ 40,
Cost of goods sold	716	--	
Gross profit	30,332	26,512	39,
Expenses:			
General and administrative expenses	13,175	4,360	80,
Depreciation	42		
Consulting fees	--	--	68,
Consulting fees - related party	--	--	-
Compensation expenses - related party	--	--	2,335,
Research and development	7,875		7,
Salaries and wages	--	13,619	-
Officer salaries	28,510	--	34,
Total expenses	49,602	17,979	2,526,
Net (loss) from operations	(19,270)	8,533	(2,486,
Other (income):			
Other	(437)	--	(
Net (loss)	$ (18,833)	$ 8,533	$ (2,486,
Weighted average number of common shares outstanding - basic and fully diluted	20,379,997	1,722,600	11,139,
Net (loss) per share - basic and fully diluted	$ (0.00)	$ 0.00	$ (0

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

Immediatek, Inc.
(formerly ModernGroove Entertainment, Inc.)
(a Development Stage Company)
Statements of Cash Flow
Unaudited

	Six months ended June 30, 2003	March 1, 2002 (Inception) to June 30, 2002
Cash flows from operating activities		
Net (loss)	$ (2,486,551)	$ 2,781
Depreciation	42	--
Shares issued for services	68,400	--
Shares issued for services - related party	--	--
Shares issued as compensation to related parties	2,335,080	--
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
(Increase) decrease in accounts receivable	(1,205)	(13,316
(Increase) in prepaid expenses	(1,845)	--
Increase (decrease) in accounts payable	(8,689)	4,832
Net cash (used) by operating activities	(94,768)	(5,703
Cash flows from investing activities		
Purchase of fixed assets	(1,529)	--
Net cash (used) by investing activities	(1,529)	--

Cash flows from financing activities		
Common stock	--	--
Payments on notes payable	(3,692)	--
Proceeds from notes payable	122,500	--
Proceeds from shareholder loan	--	3,692
Net cash provided by financing activities	118,808	3,692
Net increase (decrease) in cash	22,511	(2,011
Cash - beginning	4,845	--
Cash - ending	$ 27,356	$ (2,011
Supplemental disclosures:		
Interest paid	$ --	$ --
Income taxes paid	$ --	$ --
Number of shares issued for services	380,000	--
Number of shares issued for services to related party	--	--
Number of shares issued as compensation to related parties	18,101,397	--

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

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Immediatek, Inc.
(formerly ModernGroove Entertainment, Inc.)
(a Development Stage Company)
Notes

Note 1 - Basis of Presentation

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

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2002 and notes thereto included in the Company's 10-KSB annual report. The Company follows the same accounting policies in the preparation of interim reports.

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

Note 2 - Going concern

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has not commenced its planned principal operations and it has not generated any revenues. In order to obtain the necessary capital, the Company raised funds via private placement offering. If the securities offering does not provide sufficient capital, some of the shareholders of the Company have agreed to provide sufficient funds as a loan over the next twelve-month period. However, the Company is dependent upon its ability to secure equity and/or debt financing and there are no assurances that the Company will be successful, without sufficient financing it would be unlikely for the Company to continue as a going concern.

The officers and directors are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

Note 3 - Notes payable

The Company received loans totaling $122,500 from various individuals. The notes are non-interest bearing and are due on demand.

Note 4 - Stockholders' equity

The Company is authorized to issue 5,000,000 shares of $0.001 par value preferred stock and 500,000,000 shares of $0.001 par value common stock.

Common stock

On March 17, 2003, the Company issued 18,101,397 shares of its $0.001 par value common stock pursuant to two separate Asset Purchase Agreements ("Agreements") with Paul Marin, an individual, and Zach Bair, an individual and president of the Company, to purchase certain strategic assets. The acquired assets are valued at $7,360 and $10,741 (based on the par value of the underlying shares) for a combined total of $18,101. The fair market value of the underlying shares was $0.13 per share on March 17, 2003. The difference between the par value of $18,101 and the fair market value of $2,353,182, or $2,335,081, represents compensation expense to Mr. Bair and Mr. Marin.

On April 10, 2003, the Company issued 380,000 shares of its $0.001 par value common stock to an individual for consulting services valued at $68,400, the fair market value of the underlying shares.

There have been no other issuances of common and/or preferred stock.

Note 6 - Related party transactions

Intellectual property

On March 17, 2003, the Company entered into two separate Asset Purchase Agreements ("Agreements") with Paul Marin, an individual, and Zach Bair, an individual and president of the Company, to purchase certain strategic assets. Pursuant to the terms of the Agreements, the Company issued to Mr. Marin 7,360,000 restricted shares and to Mr. Bair 10,741,397 restricted shares of its $0.001 par value common stock for a combined total of 18,101,397 shares. The acquired assets are valued at $7,360 and $10,741 (based on the par value of the underlying shares) for a combined total of $18,101. The fair market value of the underlying shares was $0.13 per share on March 17, 2003. The difference between the par value of $18,101 and the fair market value of $2,353,182, or $2,335,081, represents compensation expense to Mr. Bair and Mr. Marin.

Shareholder loan

As of June 30, 2003, the Company owed a shareholder $7,500. The loan is non-interest bearing and due on demand.

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

Immediatek, Inc., formerly called ModernGroove Entertainment, Inc., and originally called Barrington Laboratories, Inc., and, is a developmental stage company, hereinafter referred to as ("the Company"), was organized by the filing of Articles of Incorporation with the Secretary of State of the State of Nevada on August 6, 1998. The Articles of Incorporation of the Company were amended on December 9, 2002 to officially change the name of the Company to Immediatek, Inc, and increase the number of authorized shares to five hundred million (500,000,000) shares of common stock having a par value of $0.001. The Corporation shall have the authority to issue and five million (5,000,000) shares of preferred stock at a par value of $0.001.

On February 27, 2003, Immediatek, Inc. announced that it was acquiring key assets from Zach Bair and Paul Marin, individually. These assets represent, breakthrough technology enabling Internet music fans to download standard MP3 files directly to their CD burners while simultaneously protecting the artists' copyrights. Acquisition of these assets, include: the CD burning software and the Company's flagship website, www.TwoBigToes.com.

Immediatek currently has license agreements with over 330 independent labels, 1,200 artists, and 30,000 music tracks for its www.TwoBigToes.com website and core NetBurn (tm) technology. The Company is currently focusing its efforts towards digital media delivery, utilizing its patent pending NetBurn (tm) technology. NetBurn (tm) is a patent-pending digital delivery system designed for music labels, distributors, artists and retailers. NetBurn (tm) allows web and NetBurn Station(tm) users to download and burn fully licensed music tracks from a sophisticated content management system utilizing a simple "one-click" interface, while at the same time protecting the copyright holders who own the material. NetBurn (tm) allows music, audio and video buyers, using the Internet or an Automated Digital MediaServer (tm) ("ADM") to burn digital media directly to Recordable CDs drive and leaves no files for the user to pirate. It requires no prior download to use, no custom drivers, and features easy centralized software updating and robust content management.

NetBurn (tm) is available both as an Application Service Provider ("ASP") solution as well as deployable, Internet-enabled Automated Digital MediaServers called "NetBurn Stations(tm)". What makes this technology unique is that with only a single mouse click by the user, or a few touches on the NetBurn Station(tm) touch screen, selected, fully licensed music tracks are burned directly to a CD-recordable drive. In the case of the Internet version, the user is left with no files on their hard disk. This means there are no files for the user to copy, thereby providing an extra layer of security and furthering the demise of music piracy. Users pay by the track or by the CD. They can create custom CDs complete with liner notes and CD jacket, or choose to burn exact CDs as found in retail stores. It is Immediatek's goal to work with the music industry and artist community to help establish the NetBurn (tm) technology as the de facto standard for digital music delivery.

The NetBurn Stations(tm) are available in stand-up and will also be available as countertop bolt-on units. The machines accept credit and debit cards as well as cash, and the stand-up units are equipped with 42-inch plasma screens for targeted custom media and advertising delivery. Various licensing packages for both the NetBurn Stations(tm) and the core NetBurn (tm) technology are available and flexible. Licensing, for example, may include a flat yearly fee based on estimated burns and/or a transaction fee per burn, and a monthly charge for NetBurn Station(tm) deployment maintenance.

NetBurn (tm) is as much a supply chain solution for the music industry as it is a tool to be used to combat music piracy. If the Company is successful in its mission to make NetBurn (tm) the industry standard in digital music delivery, CD distribution in its present form, as well as the costs associated with it, will be transformed, with significant costs being driven out of the supply chain. Artists, record labels and end users alike will all be the beneficiaries.

Coupled with new laws and stricter policing of existing legislation, which will increasingly become a greater disincentive to music pirates, NetBurn (tm) offers a legal solution to end users that will retain and enhance their ability to download individual tracks of their choice, while improving quality and eliminating the very high risk of exposure to computer viruses. Music downloads will not be free of charge, as is the case with existing "peer-to-peer" solutions, but they will be less expensive than existing retail alternatives, with no loss of quality.

The Company's website at www.TwoBigToes.com targets a market in providing "one click" web CD burning capabilities. The independent musician is actively seeking ways to promote their music. There are an estimated 300,000 musician- owned "official websites" that promote the musician's music, the vast majority of which do not have CD burning capabilities or e-commerce capabilities. TwoBigToes is the first and only site to offer CD burning capabilities plus real-time sales statistics and proceeds paid to the musician. Previously the musician has opted to link their sites to destination sites such as CDNOW, MP3.com, Amazon Music, etc. Under MP3.com's model, for example, the musician is required to pay a monthly service fee of $19.99 and has access to upload their selections of MP3 files which is hosted by MP3.com's servers, with no CD burning capabilities and shared sales proceeds.

Immediatek library includes tracks from independent artists and even some well-known artists such as multi-platinum artist Shania Twain and world's largest independent contemporary blues label, Alligator Records. Immediatek customer base includes: Kviar Music, the leading Internet music portal and record label in Latin America and Micro Center, a computer retailer with over 20 locations across the United States.

Going Concern - The Company experienced operating losses for the period ended March 31, 2003. The financial statements have been prepared assuming the Company will continue to operate as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. No adjustment has been made to the recorded amount of assets or the recorded amount or classification of liabilities which would be required if the Company were unable to continue its operations. (See Financial Footnote 2.)

Results of Operations

During the First Quarter ended March 31, 2003, the Company generated $8,965 in revenues, this compares to no revenues for the same period last year. In its most recent three month operating period ended March 31, 2003, the Company experienced a net loss of $2,467,245 versus a net loss of $5,752 for the same period last year. The bulk of this loss came from compensation expenses (related party) of $2,335,080 to purchase certain strategic assets; general and administrative expenses of $66,773 and consulting fees of $68,400. During the First Quarter, the Company continued to seek new strategies for market its business plan. Since the Company's inception, the Company experienced a net lost $2,991,308.

During the Second Quarter, ended June 30, 2003, the Company generated $31,048 in revenues. This compares to $26,512 in revenues for the same period last yer. In its most recent three month operating period, ended June 30, 2003, the company experienced a net loss of $18,833 versus a net income of $8,533 for the same period last year. During the Second Quarter, the Company continued to seek and deploy new strategies for marketing its business plan. Since the Company's inception, the Company experienced a net loss of $3,010,579.

The major components to expenses faced by the company in its day-to-day operations includes auditor fees, legal fees, developing software, databases, marketing its internet site, and general administrative expenses. If the Company becomes profitable, the company will access salaries and adding additional personnel to the payroll. Management intends to continue minimize costs until such a time in its discretion it believes expansion would be prudent. One element in making this determination is positive cash flow on a quarterly basis. If or when the company is successful in achieving this quarterly positive cash flow, it is likely that the company will consider expanding its personnel which will increase costs.

Plan of Operation

Management does not believe that the Company will be able to generate significant profit during the coming year, unless the company can expand its customer base for its NetBurn (tm) products. NetBurn (tm) is a patent- pending digital delivery system which allows web and NetBurn Station(tm) users to download and burn fully licensed music tracks by utilizing a simple "one- click" interface, while at the same time protecting the copyright holders who own the material. Management does not believe the company will generate any significant profit in the near future, as developmental and marketing costs will most likely exceed any anticipated revenues.

Liquidity and Capital Resources

On March 17, 2003, the Company issued 18,101,397 shares of its $0.001 par value common stock pursuant to two separate Asset Purchase Agreements ("Agreements") with Paul Marin, an individual, and Zach Bair, an individual and president of the Company, to purchase certain strategic assets. The acquired assets are valued at $7,360 and $10,741 (based on the par value of the underlying shares) for a combined total of $18,101. The fair market value of the underlying shares was $0.13 per share on March 17, 2003. The difference between the par value of $18,101 and the fair market value of $2,353,182, or $2,335,081, represents compensation expense to Mr. Bair and Mr. Marin.

On April 10, 2003, the Company issued 380,000 shares of its $0.001 par value common stock to an individual for consulting services valued at $68,400, the fair market value of the underlying shares.

As of March 31, 2003, the Company owed a shareholder $7,500. The loan is non-interest bearing and due on demand. (See Financial Footnote 6.)

The Company received loans totaling $72,500 from various individuals. The notes are non-interest bearing and are due on demand.

The Company could be required to secure additional financing to fully implement its entire business plan. There are no guarantees that such financing will be available to the Company, or if available, will be on terms and conditions satisfactory to management.

The Company has no current commitments or other long-term debt. Additionally, the Company has and may in the future invest in short-term investments from time to time. There can be no assurance that these investments will result in profit or loss.

For the quarter ended June 30, 2003, approximately 90% of sales were derived from one customer, Yoshi Dillon Technologies, Inc.

Employees

The Company currently has five employees, three of which are officers of the company.

The Company has no material commitments for capital expenditures nor does it foresee the need for such expenditures over the next year.

Market For Company's Common Stock

Market Information

On September 14, 1999, the Company's common stock was initially cleared for trading on the OTC Bulletin Board system under the symbol BRRT. The Company subsequently changed its name to ModernGroove Entertainment, Inc., and its trading symbol to: MODG. On January 7, 2003, the Company changed its name to Immediatek, Inc. and its trading symbol to IMDK. On February 25, 2003, the Company initiated a 1 for 250 reverse stock split and changed it trading symbol to ITEK. A very limited market exists for the trading of the Company's common stock.

There is currently no Common Stock which is subject to outstanding options or warrants to purchase, or securities convertible into, the Company's common stock.

There is currently no common stock of the Company which could be sold under Rule 144 under the Securities Act of 1933 as amended or that the registrant has agreed to register for sale by security holders.

Dividends

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

Forward-Looking Statements

This Form 10-QSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-QSB which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), finding suitable merger or acquisition candidates, expansion and growth of the Company's business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances.

However, whether actual results or developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties, general economic market and business conditions; the business opportunities (or lack thereof) that may be presented to and pursued by the Company; changes in laws or regulation; and other factors, most of which are beyond the control of the Company.

This Form10-QSB contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," "will," or similar terms. These statements appear in a number of places in this Registration and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting the Company's financial condition or results of operations for its limited history; (ii) the Company's business and growth strategies; and, (iii) the Company's financing plans. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that could adversely affect actual results and performance include, among others, the Company's limited operating history, dependence on continued growth in the irrigation industry, potential fluctuations in quarterly operating results and expenses, government regulation dealing with irrigation systems, technological change and competition.

Consequently, all of the forward-looking statements made in this Form 10-QSB are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

Item 3. Controls and Procedures

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is not a party to any legal proceedings.

ITEM 2. Changes in Securities and Use of Proceeds

On February 25, 2003, the Company initiated a 1 for 250 reverse stock split and changed it trading symbol to ITEK.

ITEM 3. Defaults upon Senior Securities

None.

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

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

ITEM 5. Other Information

Pursuant to Nevada Corporate law, NRS 78.335(5), the Board of Directors filled a previous Board vacancy with the nomination and acceptance of Mr. Paul Marin, effective March 20, 2003. This new board member will hold office for the unexpired term of his predecessor and/or until his successor(s) are elected and qualified.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Title of Document
31.1	Chief Executive Officer-Section 302 Certification pursuant to Sarbane-Oxley Act.
31.2	Chief Financial Officer-Section 302 Certification pursuant to Sarbane-Oxley Act.
32.1	Chief Executive Officer-Section 906 Certification pursuant to Sarbane-Oxley Act.
32.2	Chief Financial Officer-Section 906 Certification pursuant to Sarbane-Oxley Act.

(b) Reports on Form 8-K

On January 23, 2003, the Company amended its Current Report dated November, 12, 2002, pursuant to pursuant to Item 1 ("Changes in Control of Registrant"); Item 2 ("Acquisition or Disposition of Assets"); Item 5 ("Other Events"); and, Item 7. ("Exhibits"), entitled "Stock Purchase Agreement."

The Company filed a Current Report dated March 17, 2003, pursuant to Item 1 ("Changes in Control of Registrant"); Item 2 ("Acquisition or Disposition of Assets"); and, Item 7. ("Exhibits"), entitled Asset Purchase Agreements.

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SIGNATURES

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

Immediatek, Inc.

(Registrant)

Dated: August 14, 2003 By: /s/ Zach Bair

Zach Bair
Chairman of the Board
President, Secretary
Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

IMMEDIATEK, INC.

Date: August 14, 2003 By: /s/ Zach Bair

Zach Bair
Chief Executive Officer

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