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TENET INFORMATION SERVICES INC
Form 10QSB
May 16, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2005

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

For the transition period from _____ to _____

0-18113

Commission File No.

TENET INFORMATION SERVICES, INC.

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

UTAH

(State or other jurisdiction of incorporation or organization)

87-0405405

(I.R.S. Employer Identification No.)

3380 North El Paso, Street, Ste. G
Colorado Springs, Colorado 80907

(Address of principal executive office)

(719) 630-3800

(Issuer's telephone number)

NO CHANGE

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

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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.

(1) Yes X No (2) Yes X No
--- --- --- ---

As of March 31, 2005, the Company had 8,119,074 shares of common stock issued

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and outstanding.

Transitional Small Business Disclosure Format (Check one) Yes No

Tenet Information Services, Inc.

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TENET INFORMATION SERVICES, INC.
(Formerly Let's Go Aero, Inc.)
Condensed Consolidated Balance Sheet
(Unaudited)
March 31, 2005

Assets

Current assets:

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| | |
|--|------------|
| Cash | \$ 51,202 |
| Accounts and notes receivable | 27,014 |
| Inventory, at lower of cost or market (Note 4) | 167,314 |
| Prepaid expenses | 2,290 |
| | ----- |
| Total current assets | 247,820 |
| Property and Equipment | 142,425 |
| Accumulated depreciation | (91,963) |
| Intangible assets | 71,737 |
| Accumulated amortization | (15,779) |
| Other assets | 6,179 |
| | ----- |
| Total assets | \$ 360,419 |
| | ===== |
| Liabilities and Shareholders' Equity | |
| Current liabilities: | |
| Accounts payable | \$ 100,791 |
| Other current liabilities | 202,575 |
| | ----- |
| Total current liabilities | 303,366 |
| | ----- |
| Shareholders' equity (Notes 2 and 5): | |
| Common stock | 319,329 |
| Additional paid-in capital | 309,756 |
| Retained loss | (572,032) |
| | ----- |
| Total shareholders' equity | 57,053 |
| | ----- |
| Total liabilities and shareholders' equity | \$ 360,419 |
| | ===== |

See accompanying notes to condensed consolidated financial statements

F-1

TENET INFORMATION SERVICES, INC.
(Formerly Let's Go Aero, Inc.)
Condensed Consolidated Statements of Operations
(Unaudited)

| | Nine Months Ended March 31, | | Three Months Ended March 31, | |
|-------------------------|--------------------------------|------------|---------------------------------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | ----- | ----- | ----- | ----- |
| Sales and revenue | \$ 174,969 | \$ 133,620 | \$ 51,734 | \$ 84, |
| | ----- | ----- | ----- | ----- |
| Operating expenses: | | | | |

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| | | | | |
|---|--------------|--------------|--------------|----------|
| Costs of revenue | 78,617 | 55,728 | 22,903 | 31, |
| Selling, general and administrative . | 294,940 | 205,534 | 65,474 | 155, |
| Stock based compensation (Note 5) ... | 309,756 | -- | 309,756 | -- |
| Research and development | 15,195 | 3,520 | 4,096 | -- |
| | ----- | ----- | ----- | ----- |
| Total operating expenses | 698,508 | 264,782 | 402,229 | 186, |
| | ----- | ----- | ----- | ----- |
| Operating loss | (523,539) | (131,162) | (350,495) | (102, |
| Other income (expense): | | | | |
| Other income | 17,133 | 1 | 774 | |
| Interest expense | (2,813) | (138,210) | (4) | (136, |
| | ----- | ----- | ----- | ----- |
| Loss before income taxes .. | (509,219) | (269,371) | (349,725) | (238, |
| | ----- | ----- | ----- | ----- |
| Income tax provision (Note 3) | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Net loss | \$ (509,219) | \$ (269,371) | \$ (349,725) | \$ (238, |
| | ===== | ===== | ===== | ===== |
| Basic and diluted income (loss) per share | \$ (0.07) | \$ (0.08) | \$ (0.04) | \$ (0 |
| | ===== | ===== | ===== | ===== |
| Number of weighted average common shares outstanding | 7,086,635 | 3,501,134 | 8,044,079 | 3,572, |
| | ===== | ===== | ===== | ===== |

See accompanying notes to condensed consolidated financial statements

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TENET INFORMATION SERVICES, INC.
(Formerly Let's Go Aero, Inc.)
Condensed Statement of Changes in Shareholders' Equity
(Unaudited)

| | Common Stock | | Additional | Retained | Total |
|--|--------------|------------|--------------------|--------------|---------|
| | Shares | Par Value | Paid-in Capital | Deficit | |
| | ----- | ----- | ----- | ----- | ----- |
| Balance at | | | | | |
| July 1, 2004 | 6,779,074 | \$ 6,779 | \$ -- | \$ (62,813) | \$ (56, |
| Common stock sales (Notes 2 and 5) | 1,340,000 | 312,550 | -- | -- | 312, |
| Common stock options granted (Note 5) | -- | -- | 309,756 | -- | 309, |
| Net loss | -- | -- | -- | (509,219) | (509, |
| | ----- | ----- | ----- | ----- | ----- |
| Balance at March 31, 2005 | 8,119,074 | \$ 319,329 | \$ 309,756 | \$ (572,032) | \$ 57, |
| | ===== | ===== | ===== | ===== | ===== |

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See accompanying notes to condensed consolidated financial statements

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TENET INFORMATION SERVICES, INC.
 (Formerly Let's Go Aero, Inc.)
 Condensed Consolidated Statements of Cash Flows
 (Unaudited)

| | Nine Months Ended March 31, | |
|---|--------------------------------|--------------|
| | 2005 | 2004 |
| Net cash used in operating activities | \$ (400,640) | \$ (129,741) |
| Cash flows from investing activities: | | |
| Purchase of equipment and other assets | (31,185) | (310) |
| Net cash used in investing activities | (31,185) | (310) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | -- | 117,811 |
| Payment for long-term debt | (10,142) | -- |
| Sale of common stock | 312,550 | 73,500 |
| Net cash provided by financing activities | 302,408 | 191,311 |
| Net change in cash | (129,417) | 61,260 |
| Cash, beginning of period | 180,619 | 6,192 |
| Cash, end of period | \$ 51,202 | \$ 67,452 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Income taxes | \$ -- | \$ -- |
| Interest | \$ -- | \$ -- |

See accompanying notes to condensed consolidated financial statements

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TENET INFORMATION SERVICES, INC.
 (Formerly Let's Go Aero, Inc.)
 Notes to Condensed Consolidated Financial Statements
 (Unaudited)

Note 1: Basis of presentation

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The condensed financial statements presented herein have been prepared by our Company in accordance with the accounting policies in its Form 10-KSB with financial statements dated June 30, 2004, and should be read in conjunction with the notes thereto.

In our opinion, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Financial data presented herein are unaudited.

The financial results during the three and nine months ended March 31, 2005 presents the result of operations of Let's Go Aero, Inc. and does not include the financial results of Tenet Information Services, Inc.

Note 2: Related party

During the three months ended March 31, 2005, we sold 18,000 shares of restricted common stock to one of our directors, for \$12,510 cash at \$0.695 per share.

On December 1, 2004, we sold 1,250,000 shares of restricted common stock to a company owned by one of our directors, for \$250,000 at \$0.20 per share. We are entitled to a call option, giving our Company the right to repurchase all of the shares issued at an exercise price of \$0.40 per share any time before November 30, 2006.

Note 3: Income taxes

We record income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". We have incurred net operating losses during all periods presented resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense resulted in \$-0- income taxes.

Note 4: Inventory

Inventory consists of raw and finished inventory, which have been accounted for at lower of cost or market. We have made no provision for inventory obsolescence, as our management have deemed this unnecessary.

| | |
|---------------------|------------|
| Raw materials..... | \$ 43,262 |
| Finished goods..... | 124,052 |
| | ----- |
| | \$ 167,314 |
| | ===== |

Note 5: Capital Stock

During the quarter ended March 31, 2005, we sold 72,000 shares of restricted common stock to an unrelated third party, for \$50,040 cash at \$0.695 per share.

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TENET INFORMATION SERVICES, INC.
(Formerly Let's Go Aero, Inc.)
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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Common stock options:

During the nine months ended March 31, 2005, we granted five consultants options to purchase a total of 768,000 shares of the Company's common stock. The options carry exercise price ranging from \$0.40 to \$0.70 per share and are vested at the date of grant. We determined the fair value of the options ranging from \$0.35 to \$0.46 per share and recorded stock based compensation of \$309,756 in accordance with SFAS 123.

The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | |
|-------------------------------------|-------------------------------------|
| Risk-free interest rate..... | 3.60% |
| Dividend yield..... | 0.00% |
| Volatility factor..... | 103.120% |
| Weighted average expected life..... | Ranging from 1,740 to 3,650 days |

The status of the Company's stock options are summarized as follows:

| | Number of Shares Exercisable | Weighted Average Exercise Price |
|------------------------------------|------------------------------------|--|
| | ----- | ----- |
| Outstanding at June 30, 2004..... | 1,508,008 | \$ 0.70 |
| Granted..... | 768,000 | 0.60 |
| Exercised..... | -- | -- |
| Canceled..... | -- | -- |
| | ----- | ----- |
| Outstanding at March 31, 2005..... | 2,276,008 | \$ 0.67 |
| | ===== | ===== |

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Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements made herein are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They include statements regarding the timing and expected benefits of the acquisition of LGA by Tenet. These statements are based on management's current expectations and estimates; actual results may differ materially due to certain risks and uncertainties. For example, the ability of LGA to achieve expected results may be affected by external factors such as competitive price pressures, conditions in the economy and industry growth, and internal factors, such as future financing of the acquired operations and the ability to control expenses.

Results of Operations

| | Nine Months Ended March 31, | |
|-----------------|--------------------------------|---------|
| | ----- | ----- |
| | 05 | 04 |
| | ----- | ----- |
| Revenue | 174,969 | 133,620 |
| Cost of Revenue | 78,617 | 55,728 |
| SGA | 294,940 | 205,534 |

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| | | |
|------------------------------------|-----------|-----------|
| R & D | 15,195 | 3,520 |
| Other Income (expense) | 17,133 | 1 |
| Interest Expense | (2,813) | (138,210) |
| Stock based compensation Note 5 | (309,756) | -- |
| Net Loss | (509,219) | (269,371) |

Nine Months Ended March 31, 2005, Compared with Nine Months Ended March 31, 2004

During the first nine months of Fiscal 2005, the Company's revenue grew 31% to \$174,969 compared to \$133,620 in revenue for the similar period of Fiscal 2004. During the current period the Company's sales resulted primarily from inquiries generated by our web site. The Company intends to increase its selling effort during the fourth period of fiscal 2005, and beyond.

Cost of revenue for the nine months ended March 31, 2004, increased \$22,889 or 41% from \$55,728 during the 2003 period, to \$78,617 for the 2004 period.

Gross margin on product sales decreased to 55% for the current period from 58% during last years comparable period.

SG&A expenses increased to \$294,920 for the nine months ended March 31, 2005, compared to \$205,534 for the comparable period of 2004. The increase in SG&A expenses for the current nine month period is primarily attributable to costs associated with the Tenet Information Services combination and to a lesser extent an increased operating tempo at the Company.

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Net loss for the nine months ended March 31, 2005, was (\$509,219) or (\$0.07) per share as compared to (\$269,371) or (\$0.08) per share for the nine months ending March 31, 2004. \$309,756, or 61% of the current periods Net Loss is attributable to the accounting treatment of stock option grants.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position decreased from \$142,279 at December 31, 2004 to \$51,202 at March 31, 2005. During the first nine months of fiscal 2005, the Company used \$400,640 of cash to fund its operating activities and \$31,185 for the purchase of tooling and patent related expenses.

LGA Capital Requirements

The Company will need to raise additional operating capital from either financing activities or from product licensing revenue to fund the Company's growth through the end of the 2005 fiscal year and beyond. The Company is currently increasing its product inventory and higher inventory levels will also increase the use of cash until the inventory is sold. Currently, LGA intends to add approximately \$90,000 of inventory to its books over the next 120 days. In addition, the Company will incur higher operating expenses into the future for, among other reasons, an increased focus on selling, product fulfillment and the personnel necessary to support this growth.

During the three month period ended March 31, 2005, the Company sold 72,000

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shares of restricted common stock to an unrelated third party, for \$50,040 or \$0.695 per share.

The Company is working on several product licensing opportunities, that if completed, have the potential to generate significant growth capital for our business. However, no assurance can be given as to whether these discussions will result in a completed transaction, nor can the Company give any assurances as to the timing or financial magnitude of these transactions.

Subsequent to the end of the March, 31, 2005 quarter, the Company signed a licensing agreement with AutoTek China that is related to a recent addition to the Company's Intellectual Property (IP) portfolio. This IP, known as the Little Giant Trailer System (LGT), is a high quality, "knockdown" shippable, kit trailer. As of April 5, 2005, it is now legal for Chinese citizens to tow lightweight (under 1,500 pound load rating) trailers on China's roads. AutoTek China is a joint venture between AutoTek New York and Haide Special Vehicle Factory located in Yantai, China. AutoTek China debuted the LGT at the 97th Canton Fair trade show in early April. The technology was well received as acceptable not only in China, but worldwide. LGA has licensed AutoTek China to manufacture trailers in China using the LGT IP, for exclusive sale in China, Russia and the former Soviet State countries. LGA and AutoTek are in continuing discussions regarding AutoTek's desire to acquire additional selling rights for LGT in the broader worldwide market for this technology. In addition, LGA has been approached and is in discussions with several other companies interested in securing rights to the Little Giant IP and its derivatives.

LGA has also begun licensing discussions regarding the Company's TwinTube, GearBag and GearDeck product lines with several third party's.

During the three months ended March 31, 2005, LGA received notification from the U.S. Patent and Trade office that additional claims for the Company's GearBed cargo management system for pickup beds have been allowed and will issue in the near future. LGA is currently aware of two automotive OEM's that are selling a product containing the exact IP contained LGA's intellectual property portfolio.

Due to the timing of anticipated inventory additions and higher operating expenses, the Company will need to raise capital, in addition to the recent stock sales, from either financing or licensing sources during fiscal 2005.

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The Company is experiencing a growing level of product interest from consumers, dealers and OEM's. It will take time and capital to convert this interest into product sales and/or licensing revenue. Therefore, even though the Company anticipates higher sales revenue going forward, it is not able to forecast when its sales volume will be sufficient to support the Company's operating expenses. Therefore, for the next two quarters LGA will pursue raising additional growth capital from either finance or licensing related sources. There can be no assurance given as to whether LGA will be successful at generating the additional growth capital it will need from either of these sources.

While a portion of the current liabilities, approximately \$88,278, is owed to present officers and/or directors, there can be no assurances that these officers/directors will not seek payment in the near term.

Inflation has not had a significant impact on the Company's operations.

Item 3. Controls and Procedures.

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Based on the evaluation of the Company's controls and procedures required by Rule 13a-15 or Rule 15d-15 under the Exchange Act, the Company's Chief Executive Officer and Treasurer believe that the Company's controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the United States securities laws is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms were adequate as of the end of the period covered by this Form 10-QSB. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the securities laws is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Unregistered Sales of Securities and Use of Proceeds.

During the third quarter of fiscal 2005, LGA sold a total of 90,000 shares of common stock, for \$62,550, or \$0.695 per share. The shares of common stock were sold to an existing LGA shareholder and to an unrelated third party. The transaction was completed on March 2005. The Tenet shares were issued pursuant to exemption from registration under Sections 3(b)and/or 4(2) and or 4(6) of the Securities Act of 1933 and/or Regulation D promulgated thereunder.

During the second Quarter of fiscal 2005, LGA sold 1,250,000 shares of common stock to an existing LGA shareholder, for \$250,000, or \$0.20 per share. In conjunction with this sale, LGA retains a call option for these shares that grants LGA the right for two years following the completion of this transaction, to re-purchase any or all of these shares at \$0.40 per share. The transaction was completed on November 30, 2004. The Tenet shares were issued pursuant to exemption from registration under Sections 3(b)and/or 4(2) and or 4(6) of the Securities Act of 1933 and/or Regulation D promulgated thereunder.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submissions of Matters to a Vote of Security Holders.

None.

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Item 5. Other Information.

None.

Item 6. Exhibits.

(i) Exhibits

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| Exhibit No. | Description |
|----------------|---|
| 31 | Certification required under Section 302 of Sarbanes-Oxley Act of 2002 |
| 32 | Certification required under Section 906 of Sarbanes-Oxley Act of 2002 |

(ii) Reports on Form 8-K

None

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 12, 2005

TENET INFORMATION SERVICES, INC.

/s/ Marty Williams

Chairman of the Board of Directors
Marty Williams

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