intraco
SYSTEMS, INC.

3998 FAU Blvd. ● Suite 210 ● Boca Raton, FL 33431 ● USA ● P: 561.367.0600 F: 561.367.9376

Thursday, May 11, 2000

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770

000603-TX

Dear Sir/Madam,

Intraco Systems, Inc. is leading the way into the new world of Voice Over IP (VOIP) communications solutions. Intraco has built its solid reputation by bringing together the converging technologies of voice, data, and Web; and delivering highly valued integrated solutions for its clients throughout the State of Florida and the world. Through its new Virtual Office Application Service Provider (VOASP) business model, Intraco will deliver a wide range of new products and services, in the past, financially unattainable to small and medium size businesses.

In this vein, Intraco Systems, Inc. respectfully submits the attached application for authority to provide Alternative Local Exchange Service within the State of Florida. The Florida Public Service Commission requires financial documentation and written explanations of Intraco's financial, managerial, and technical capabilities to offer service. For this, please see attached Securities and Exchange Commission Form 10-SB, Form 10-QSB, and Form 10-KSB. All required information can be found in these documents.

If there are any questions or additional documentation is required, please contact Kelly Heatherman at the address and number above.

Sincerely,

Kelly Heatherman
Manager, Virtual Office ASP Business Unit

** FLORIDA PUBLIC SERVICE COMMISSION **

DIVISION OF TELECOMMUNICATIONS
BUREAU OF CERTIFICATION AND SERVICE EVALUATION

APPLICATION FORM
for
AUTHORITY TO PROVIDE
ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).

- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Telecommunications
  Bureau of Certification and Service Evaluation
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6600

APPLICATION

1. This is an application for √ (check one):

   (XX) **Original certificate** (new company).

   ( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   ( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   ( ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

   Intraco Systems, Inc.

3. Name under which the applicant will do business (fictitious name, etc.):

   Intraco Systems, Inc.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

   3998 FAU Blvd.

   Suite 210

   Boca Raton, Florida 33431

5. Florida address (including street name & number, post office box, city, state, zip code):

   same as above

6. Structure of organization:

( ) Individual (XX) Corporation
( ) Foreign Corporation ( ) Foreign Partnership
( ) General Partnership ( ) Limited Partnership
( ) Other ____________

7. **If individual,** provide:

Name:______________________________

Title:______________________________

Address:______________________________

City/State/Zip:______________________________

Telephone No.:______________ **Fax No.:**______________

Internet E-Mail Address:______________________________

Internet Website Address:______________________________

8. **If incorporated in Florida,** provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State corporate registration number:**

Incorporated in Nevada, Federal Tax Number 87-0381511

9. **If foreign corporation,** provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State corporate registration number:**

Reseller Certificate Number 60-03-161539-32-7

10. **If using fictitious name-d/b/a,** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) **The Florida Secretary of State fictitious name registration number:**

____

11. **If a limited liability partnership**, provide proof of registration to operate in Florida:

(a) **The Florida Secretary of State registration number:**

No

12. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name: No

Title:

Address:

City/State/Zip:

Telephone No.: **Fax No.:**

Internet E-Mail Address:

Internet Website Address:

13. **If a foreign limited partnership,** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:**

14. Provide **F.E.I. Number**(if applicable):

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

None

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

None

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Kelly C. Heatherman

Title: Manager - Virtual office Application Service Provider

Address: 3998 FAU Blvd., Suite 210

City/State/Zip: Boca raton, Florida 33431

Telephone No.: 561-367-0600 **Fax No.:** 561-367-9376

Internet E-Mail Address: kelly.heatherman@intraco.com

Internet Website Address: www.intraco.com

(b) Official point of contact for the ongoing operations of the company:

Name: Bob Marcus

Title: Chief Financial Officer

Address: Same As Above

City/State/Zip:

Telephone No.: **Fax No.:**

Internet E-Mail Address:

Internet Website Address: ____________________

(c) Complaints/Inquiries from customers:

Name: Paul Nieman

Title: Manager - Communication Services

Address: 3998 FAU Blvd., Suite 210

City/State/Zip: Boca raton, FL 33431

Telephone No.: 561-367-0600 **Fax No.:** 561-367-9376

Internet E-Mail Address: paul.nieman@intraco.com

Internet Website Address: www.intraco.com

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

none

(b) has applications pending to be certificated as an alternative local exchange company.

none

(c) is certificated to operate as an alternative local exchange company.

none

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

none

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

none

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

none

18. Submit the following:

A. Financial capability.

The application **<u>should contain</u>** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer <u>affirming that the financial statements are true and correct</u> and should include:

1. the balance sheet;
2. income statement; and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

B. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

C. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

** APPLICANT ACKNOWLEDGMENT STATEMENT **

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

[signature] 5-15-00
Signature Date

Manager - Virtual Office ASP 561-367-0600
Title Telephone No.

Address: 3998 FAU Blvd., Suite 210 561-367-9376
Boca Raton, FL 33431 Fax No.

ATTACHMENTS:

A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
B - INTRASTATE NETWORK
C - AFFIDAVIT

** APPENDIX A **

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name) N/A ____,

(Title)__________________________________ of (Name of Company)

____

and current holder of Florida Public Service Commission Certificate Number # _________

_______________, have reviewed this application and join in the petitioner's request for a:

(   ) sale

(   ) transfer

(   ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

______________________________________ ____________________
Signature Date

______________________________________ ____________________
Title Telephone No.

Address: ______________________________ ____________________
Fax No.

____

____

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

**** APPENDIX B ****

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP:** Addresses where located, and indicate if owned or leased.

   1) N/A ______ 2) ______

   ______ ______

   3) ______ 4) ______

   ______ ______

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

   1) N/A ______ 2) ______

   ______ ______

   3) ______ 4) ______

   ______ ______

3. **TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

POP-to-POP	OWNERSHIP
1) N/A	______
2) ______	______
3) ______	______
4) ______	______

**** APPENDIX C ****

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Signature ______ Date 5-15-00

Title: President - Intraco Systems, Inc.

Telephone No.: 561-367-0600

Address: 3998 FAU Blvd., Suite 210
Boca Raton, FL 33431

Fax No.: 561-367-9376

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES OF SMALL BUSINESS ISSUERS UNDER SECTION 12(B) OR (G) OF THE SECURITIES EXCHANGE ACT OF 1934

INTRACO SYSTEMS, INC.
(Name of Small Business Issuer in Its Charter)

Nevada	87-0381511
(State or Other Jurisdiction of Incorporation or Organization	(IRS Employer Identification Number)

3998 Florida Atlantic University Boulevard, Suite 210
Boca Raton, Florida 33431
(561) 367-0600
(Address and Telephone Number of Principal Executive Offices)

Copies of communications to:

Michael D. Karsch, Esq.
Broad and Cassel
7777 Glades Road, Suite 300
Boca Raton, Florida 33434
Telephone No. (561) 483-7000

Securities to be registered under Section 12(b) of the Act:

Title of each class To be so registered	Name of each exchange on which each class is to be registered
None	

Securities to be registered under Section 12(g) of the Act:

Common Stock
(Title of class)

(Title of class)

THIS DOCUMENT CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. INTRACO'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS DOCUMENT. THE FOLLOWING IS A SUMMARY OF CERTAIN INFORMATION AND IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS APPEARING ELSEWHERE IN THE DOCUMENT AND PARTICULARLY IN THE SECTION ENTITLED "RISK FACTORS."

PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

Intraco Systems Inc. (the "Company") was incorporated in Florida in March 1990. In April 1999, Intraco completed an exchange agreement with Custom Touch Electronics, Inc. ("CTE"), a Nevada corporation with no material operations whose common stock traded on the OTC Bulletin Board, pursuant to which all outstanding shares of Intraco capital stock were exchanged for 10,531,500 CTE shares. The prior shareholders and promoters of CTE hold 2,429,489 shares and the Intraco shareholders at the time of the exchange hold 10,531,500 shares. As a result, Intraco Systems became a wholly-owned subsidiary of CTE and CTE changed its name to Intraco Systems, Inc. All references in this document to "Intraco" refer to the Nevada parent and the Florida subsidiary. The principal offices of Intraco are located at 3998 FAU Boulevard, Boca Raton, Florida 33431 and its phone number is (561) 367-0600.

Intraco is a Communications Solution Provider ("CSP"), offering the integration of voice, data and Internet based technology solutions to a wide range of customers. Intraco offers complementary IT solutions to clients on a local and regional basis. Intraco's targeted customers include small and midsize companies in a wide range of industries including communications, health care, financial services, manufacturing, professional services and technology.

Intraco is currently seeking to execute an aggressive growth strategy which includes both internal (product, sales and marketing expansion) and external (mergers and acquisitions) strategies. Intraco is currently acquiring companies in the Telecommunications, Internet Development and Network Systems Integration areas. During June 1999, Intraco completed the acquisition of Page Telecomputing Inc., a Delray Beach, FL-based developer of telemarketing and call center computer telephony and Voice-over-IP applications.

The acquisition will increase Intraco's focus on computer telephony integration and allow it to best serve sales and marketing-oriented customers, such as insurance brokers, investment advisors, real estate agents, healthcare marketers and more who rely on intensive inbound and outbound phone activity. Page Telecomputing develops proprietary automated telemarketing software, including its Sales Call Software™, LINK™, Page Prospect!™ and SCRSLITE™ for telecommunications facilities, sales offices, customer support centers and more.

Intraco's broad range of complementary IT business solutions includes the following services:

- Voice over IP (VoIP) and Computer Telephony Integration (CTI)
- High-end Web Application Development and Integration
- Network and Systems Design and Implementation
- IT Operational Support

Currently, Intraco is primarily serving customers in the Southeast region of the United States with a number of national and international customers. Intraco intends to extend its comprehensive service offerings nationally through strategic alliances. Intraco delivers IT solutions including services and support for all the major technology needs of its customers. This includes a variety of operating systems (Windows 95/98/NT, Tru-64 (Digital) Unix, NetWare, SunOS, Digital Open VMS, and HP-UX) on a variety of hardware platforms, (Intel, Sun, HP, and Compaq/Digital). In addition, Intraco supports its customers' hardware and software needs in such areas as the World Wide Web and high-end telephony services. The solutions developed often include a mix of hardware, software and services.

Market And Industry Overview

Since the mid-1980s, dramatic changes have occurred in the delivery of IT solutions to end users. The explosive growth of Web-enabled systems and client/server technology is changing the nature of the IT industry from servicing personal computer network systems to servicing high-powered servers with open platforms, scalable architectures, integrated applications, security, back-up and fail-safe operability issues. As the complexities of acquiring, sharing and managing information become a business-within-a-business for mid-sized companies, the corporate approach to IT management and deployment is changing significantly.

Businesses have been increasingly turning to outside organizations such as Intraco for the design, development, implementation, and support of IT systems. The United States market for IT services is expected to grow from approximately $85 billion in 1998 to approximately $150 billion in 2001. Due in part to the rapid pace of technological change, business solutions frequently are too sophisticated and complex for a business enterprise to undertake internally . The increased use of outside IT solutions firms is also being driven by competitive pressures requiring rapid implementation of new systems and the adverse effects of selecting inappropriate or outdated technology. Many companies have made strategic decisions to focus on core competencies, minimize fixed costs, reduce workforces, and defer investment in large IT staffs.

Intraco's Strategy

Intraco's objective is to service clients' strategic business needs by becoming their Communications Solutions Provider. Intraco intends to meet this objective through a combination of targeted strategic acquisitions and internal growth including the addition of new services and IT specialties. Intraco's acquisition strategy is to simultaneously expand its range of services while extending its geographic reach to the regions outside of the Southeast United States by acquiring existing, profitable businesses in the Telecommunications Interconnect, Internet Developers and Network Systems areas.

Intraco has identified three key growth categories of converging technologies that best serve existing and targeted customers: Internet Business Solutions, Computer Telephony Services, and Network and Systems Integration. Each of these areas complements the other as well as having distinct advantages and opportunities of its own.

Internet Business Solutions - This includes e-mail integration, website creation and design, management of website traffic, on-line marketing, Internet/intranet/extranet connectivity, database design, implementation and management, migration and web enabling of legacy systems, e-commerce applications, and traditional network and systems integration services. Internet solutions generate ongoing annuity revenue and profits through the use of annual support contracts. Intraco operates, updates and manages Internet sites for customers while increasing customer website traffic through on-line marketing.

Computer Telephony Services - Intraco provides a complete environment for businesses with the data information system as a backbone to all data processing and communications. Through Intraco, the customer has all components of their communications and information systems integrated into a seamless working environment. This convergence of data and voice technologies is commonly referred to as Computer Telephony Integration or CTI. For example, the phone system is fully integrated into the computer network, along with such functions as fax servers and page/messaging capabilities. This also includes video and sound transfer as well as voice recognition and automated attendant systems. The real value to the customer is in the delivery of a working business environment while improving the efficiencies and effectiveness of their operations.

Network and Systems Integration – For over nine years Intraco has provided enterprise level solutions that include complex systems, non-stop cluster-based computing environments, complete networks and a wide range of support services. These include 24x7 support and Y2K expertise for the traditional systems, legacy systems and networking markets.

Collectively these categories offer ongoing incremental sales opportunities as new technologies are introduced. Customers realize high value from the increased productivity and enhanced functionality inherent to these technologies. The combination of Voice, Data and Internet Development Services enable Intraco to exploit new market opportunities as well as maximize existing markets.

The Intraco Solution

Intraco offers clients a single source for Business Data and Communications solutions and services. Intraco has identified four sectors that constitute its current offerings. These sectors of Intraco's business and the services provided within each sector are:

Telephony Design and Integration Services

- Design and integrate voice plus VoIP solutions
- Design and integrate strategic corporate-wide voice solutions
- Voice enabled web applications
- Integration of CTI with PBX systems

Intraco seeks to maintain current knowledge of the attributes of all telecommunications systems, and to use this knowledge to develop systems for specific customer environments from simple key systems to complex voice/data communications systems. Intraco recognizes the importance of global communication, and has the ability to integrate LAN and WAN, data and voice communications, video conferencing, voicemail, and voice processing into the telecommunications infrastructure of' the future.

High-end Web Application Development and Integration Services

- Design and integrate complex websites with sophisticated back-end systems
- Develop strategies for business to business applications
- Web enabling existing back-end legacy systems and databases
- Create and implement online marketing campaigns for increased web traffic
- Enhance current web presence by adding high tech features and functionality
- Expertise in e-commerce solutions and web enabling offline business models

Intraco offers fully interactive database development, eye-catching layouts and design, integration to legacy systems for web connectivity, scalable and robust e-commerce solutions, ongoing website maintenance, comprehensive intranet design and development, and methods to increase efficiency and streamline operations.

Network and Systems Design and Implementation Services

- Local area network (LAN) and wide area network (WAN) client/server design and integration
- Internet/intranet/extranet infrastructure design and integration
- Voice and data communication infrastructure
- Communication network solutions involving hubs, routers, DSU/CSUs and switches
- Capacity planning
- Network performance management and monitoring
- Connectivity and security services

Intraco delivers enterprise-wide turnkey IT business solutions by combining business knowledge with technical expertise concerning hardware, software, and support capabilities to achieve customer objectives. These solutions address customer needs for high bandwidth applications, from transaction processing to Internet commerce.

Intraco designs, develops, installs and supports full application-ready, distributed client/server computing platforms and integrates them into existing IT infrastructures. Capabilities include project planning, technology integration and installation that maximize system performance and delivery of computing solutions in the most cost-effective way, assuring flexible, open systems capable of integrating new technologies.

IT Engineering and Support Services

- Outsourcing of IT professional services
- Outsourcing of IT product procurement
- Engineering and network management services
- Warranty support - Help desk support
- On-site and remote support services
- Hardware and software maintenance and support
- Facility infrastructure cabling and installation

Intraco provides both short and long-term technical expertise to address a wide range of network operation and project needs, including LAN and WAN design, installation, implementation, management, systems management, system administration, and support services.

Organizational Structure

Intraco operates with a decentralized management structure that enables it to deliver superior client service and a motivating environment for its operating companies. To minimize overhead, Intraco provides corporate management, marketing, finance, accounting, legal, management information systems, treasury, employee benefits (HR), and purchasing centrally.

Sales and Marketing

Intraco focuses its sales and marketing efforts on the small and midsize business market sector in the U.S. where the demand for outsourced IT consulting services is strong and loyal. To develop new clients, Intraco uses a combination of sales, engineering and consulting sales services, including trade shows and professional seminars. Intraco will also be enhancing its own Websites (www.intraco.com and www.intracodirect.com) on an ongoing basis to provide easy, convenient, cost-effective access to information for customers.

Through the acquisition of Telecommunications Interconnects Intraco will expand its client base exponentially. The targeted acquisitions have a large base of business customers that are likely to utilize network connectivity to their existing telecommunications system. This distribution channel is utilized for the proactive introduction of new technologies as they become available.

Intraco has built relationships with many of the industry's leading technology manufacturers, including Compaq/Digital, HP, Nortel/Bay, Microsoft, Cisco, Oracle, Xyplex as well as others. These vendors provide a source of leads for Intraco, augment technical sales expertise, and offer additional name recognition for marketing events and programs.

The current sales management team at Intraco Systems has well over 100 years of combined experience in the technology industry providing a strong ability to understand existing and new technologies as well as the ability to determine how to create and deliver value from integrating various technologies

Customers

Intraco currently has a significant installed customer base which provides a ready market for new and other emerging technologies. The profile of the installed customer base represents larger enterprise customers requiring a high degree of customized solutions. Clients include middle market and Fortune 1000 companies in a wide range of industries (including communications, healthcare, financial services, government, manufacturing, pharmaceuticals, professional services, and technology. Intraco has developed an aggressive promotional campaign to inform existing Intraco customers of these latest innovations. The following is a partial list of past and existing customers:

Gambro Health Care (previously REN Labs)
Shell Oil
INPHYNET Medical Management
Internet Financial Network
Florida Atlantic University
Florida International University
Sensormatic
Racal-Datacom
Encore Computer Products
Novartis (previously Ciba Geigy)
Tenix Pty
U.S.Plastics
Vacation Break
Interim Services
Security Plastics
Arvida

Competition

The IT solutions market is very competitive, subject to rapid change, and includes a large number of participants whose expertise covers an expansive range. Intraco faces extensive competition from large national providers who specialize in one or more of its target markets as well as from numerous smaller local competitors. Intraco's principal competitors include IKON Office Solutions, Inc., MicroAge Integration, Inc, National Business Group, Inc. and TotalTec Systems, Inc., all of which have significantly greater financial, technical and marketing resources, generate substantially higher revenues and have greater name recognition. Intraco believes the principal competitive factors in the segment of the industry in which it competes include scope of services, service delivery approach, technical and industry expertise, perceived value, objectivity and results orientation. Intraco believes that its ability to compete successfully against such competitors depends in part on a number of factors both within and outside of its control, including the ability to hire, retain and motivate senior IT consultants, competitors' pricing for comparable services, and the extent of competitors' responsiveness to customer needs. There can be no assurance that Intraco will be able to compete successfully in the future.

Relationship with Suppliers

Intraco has entered into dealer agreements with its major vendors/manufacturers. These agreements are typically subject to periodic renewal and to termination on short notice. Substantially all of Intraco's dealer agreements may be terminated by the vendor without cause upon 30 to 90 days advance notice, or immediately upon the occurrence of certain events. A vendor could also terminate an authorized dealer agreement for reasons unrelated to Intraco's performance. The loss of such a vendor/product line or the deterioration of Intraco's relationship with such a vendor/manufacturer would have a material adverse effect on Intraco.
Intraco has also established relationships with industry leaders relating to its services segment including the authorization to perform warranty and non-warranty repair work. Intraco's technical personnel currently have an aggregate of more than 40 certifications from major vendors

Sales Arrangements

Most products and services are sold pursuant to written contracts with customers. These contracts typically establish prices for certain equipment and services and require short delivery dates for equipment and services ordered by the customer. These contracts do not require the customer to purchase microcomputer products or services exclusively from Intraco and may be terminated without cause upon 30 to 90 days notice.

Intraco generally provides its services to customers on a time-and-materials basis pursuant to written contracts or purchase orders. Intraco's arrangements with its customers generally can be terminated by either party with limited or no advance notice. Intraco also provides some of its services under fixed-price contracts. Fixed-price contracts are used when Intraco believes it can clearly define the scope of services to be provided and the cost of providing those services.

Human Resources

As a service provider, Intraco views its employees as the most valuable asset. Accordingly, a continuously evolving program has been implemented to encourage and sustain long-term employee retention. Intraco offers a competitive compensation package which includes, stock options, technical education, a progressive human resources program, and other competitive benefits designed to enhance long-term employee retention.

As of June 30, 1999, Intraco had a total staff of 21 employees, comprised of 7 technical professionals, 8 sales and marketing personnel and 6 administrative personnel. No employees are represented by a labor union or subject to a collective bargaining agreement. Management believes that employee relations generally are good.

Intraco's success will depend in large part upon the ability to attract, retain and motivate highly-skilled employees. Qualified technical professionals are in great demand and are likely to remain a scarce resource for the foreseeable future. However, management believes that Intraco has been successful in its efforts to attract, develop and retain the high-quality professionals needed to support present operations and future growth. Although Intraco expects to continue to attract sufficient numbers of highly-skilled employees and to retain senior personnel for the foreseeable future, there can be no assurance that Intraco will be able to continue to do so.

Intellectual Property Rights

Intraco relies on a combination of nondisclosure and other contractual arrangements and trade secret, copyright, and trademark laws to protect proprietary rights and the proprietary rights of third parties. Intraco enters into confidentiality agreements with key employees, and limits the distribution of proprietary information.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of financial condition and results of operations contain some forward-looking statements. Forward-looking statements give Intraco's and management's current expectations or forecasts of future events. The reader can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to anticipated operating results for the full year ended December 31, 1999, and anticipated cash flow, and to future actions, future performance or results of current and anticipated sales and marketing efforts, expenses, the outcome of contingencies such as legal proceedings, and other financial results. From time to time, Intraco or its management also may provide oral or written forward-looking statements in other materials released to the public.

Neither Intraco nor its management undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. The reader is advised, however, to consult any further disclosures made on related subjects in future SEC filings. Also note that there is a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to Intraco's business under this section. These are factors that could cause actual results to differ materially from expected and historical results. Other factors besides those listed could also adversely affect Intraco.

Overview

Intraco is a Communications Solution Provider ("CSP"), offering the integration of voice, data and internet based technology solutions to a wide range of customers. Intraco offers complementary IT solutions to clients on a local and regional basis. Intraco's targeted customers include small and midsize companies in a wide range of industries including communications, health care, financial services, manufacturing, professional services and technology.

Intraco's consolidated financial statements do not give effect to the results of a business acquired in June 1999 in a business combination accounted for under the purchase method (the "Purchased Company") because it was after the date of the financial statements and is not considered material.

The report of Intraco's independent auditors for the year ended December 31, 1998 included a footnotethat there is a substantial doubt about Intraco's ability to continue as a going concern unless it can improve its sales or obtain additional financing. Management's plan to increase sales and obtain additional capital includes several specific actions. On the sales side, Intraco will place greater emphasis on systems, CTI, web development and services, as these areas have higher profit margins and represent more rapidly growing markets than traditional contract services. Intraco is also actively pursuing acquisitions that will add significantly to revenues and profits. For capital sourcing, Intraco will continue to seek private capital as well as public funds through the sale of its securities. Between November 1, 1998 and June 30, 1999, Intraco raised approximately $1,007,525 through sales of preferred and common stock.

Results Of Operations

The following table sets forth various items for the six months ended June 30, 1999(unaudited) and June 30,1998(unaudited).

Six months ended June 30, 1999 Compared to June 30, 1998

Note that the company did not perform monthly closings for 1998 and therefore all comparisons to 1998 are approximate.

Revenues. Revenues increased 20.5% from $1,411,629 for 1998 to $1,701,613 for 1999. This increase was primarily due to a $690,175 increase in systems and network sales offset by a decrease of $400,191 in service contract revenue.

Cost of revenues. Cost of revenues increased $383,337 consistent with the increase in revenues from large orders with lower gross margins.

Gross Profit. Gross profit decreased $93,353 consistent with the increase in cost of goods.

Selling, General and Administrative. Selling, general and administrative expenses increased $240,740 or 64.9%. This is due primarily to the investment in staff and facility to support the broader product offerings.

Interest Expense. Interest expense, net of interest income decreased $16,856 from net interest expense of $18,179 in 1998 to $1,323 in 1999.

Provision For Income Taxes. Intraco has an unused net operating loss carry forward of $663,000 for use on its federal and state income tax returns and thus has not reserved for any income taxes for 1999.

Net Loss. As a result of the foregoing, Intraco reported a net loss of ($303,697) in 1999 and a profit of $73,540 in 1998. The change is primarily due to the investment in staff and facilities.

Year Ended December 31, 1998 Compared To December 31, 1997

Revenues. Consolidated revenues decreased 23.9% from $3,556,177 for 1997 to $2,704,931 for 1998. This decrease was primarily due to a $1,039,037 decrease in revenues from system and network design and installation, offset by a $187,791 increase in service contract revenues. As part of management's plan to restructure Intraco and broaden the product offerings, the decision was made to focus on higher margin sales.

Cost of revenues. Cost of revenues decreased $839,949 or 32.2% from $2,606,669 for 1997 to $1,712,720 for 1998. Cost of systems were $638,885 or 51.2% of systems revenues in 1998 compared to $1,443,080 or 63.1% of systems revenue in 1997. Cost of service contracts were $1,073,835 or 73.7% of service contract revenue in 1998 compared to $1,163,589 or 91.7% in 1997. This improvement in the cost of product ratio to sales is the result of the action described above.

Gross profit. Gross profit increased $42,703 or 4.5% from $949,508, or 26.7% of revenues, for 1997 to $992,211, or 36.7% of revenues, for 1998. This increase in gross profit as a percentage of revenues was due to a higher concentration of business in projects and sales of higher margin items.

Selling, general and administrative. Selling, general and administrative expenses decreased $78,369 or 7.0% from $1,116,198, or 31.4% of revenues, for 1997 to $1,037,829, or 38.4% of revenues, for 1998.

Interest expense. Interest expense, net of interest income, increased $30,004 from net interest expense of $4,573 in 1997 to $34,577 in 1998. The increase was due primarily to the conversion of accounts payable due Digital Equipment Corp into a note with interest at 10%.

Provision for income taxes. Intraco has an unused net operating loss carry forward of $663,000 for use on its federal and state income tax returns and thus has not reserved for any income taxes for 1998. Until May 1997 Intraco was taxed as an S Corporation.

Net loss. As a result of the foregoing, Intraco reported a net loss of $80,195 in 1998 and $171,263 in 1997.

Liquidity And Capital Resources

At December 31, 1998, Intraco had current assets of $273,930, consisting of cash, accounts receivable, inventory and prepaid expenses, and current liabilities of $981,071, consisting of payables, deferred revenues, deposits and notes payable. This resulted in a working capital deficit of $707,141. Intraco's capitalization, defined as the sum of long-term debt and stockholders' equity, at December 31, 1998, was $ ($390,207).

At June 30, 1999, Intraco had current assets of $652,103, consisting of cash, accounts receivable, note receivable, inventory and prepaid expenses, and current liabilities of $1,069,135, consisting of payables, deferred revenues, deposits and notes payable. This resulted in a working capital deficit of $417,032. Intraco's capitalization, defined as the sum of long-term debt and stockholders' equity, at June 30, 1999, was $ ($149,097).

During 1998, net cash used in operating activities was $116,730. Accounts receivable decreased by $185,727 due to timing of completion of several sales and improved collection efforts and accounts payable increased by $143,236 due to timing of purchases and the conversion of the Digital Equipment payable to a note. Deferred revenue decreased by $441,559 as a result of Intraco completing performance of contracts entered into in prior periods and recognizing the revenues in 1998. Net cash used in investing activities was $58,058 due to the purchase of property and equipment. Net cash used in financing activities was $48,001 as Intraco realized 218,800 for the issuance of stock, offset by $110,107 of costs in connection with these issuances and the repayment of $156,694 of long-term debt. As a result, Intraco realized a net decrease in cash of $222,789.

During the 1999 period, net cash used in operating activities was $299,851. Accounts receivable increased by $271,100 due to timing of completion of several sales and improved collection efforts and accounts payable increased by $308,526 due to timing of purchases and the conversion of the Digital Equipment payable to a note. Deferred revenue decreased by $88,277 as a result of Intraco completing performance of contracts entered into in prior periods and recognizing the revenues in 1999. Net cash used in investing activities was $5,391 due to the purchase of property and equipment. Net cash provided by financing activities was $322,261 as Intraco realized 930,792 for the issuance of stock, offset by

$202,964 of costs in connection with these issuances and the repayment of $121,322 of long-term debt and costs of our recapitalization of $283,153. As a result, Intraco realized a net increase in cash of $17,019.

At December 31, 1998, Intraco had approximately $420,212 of outstanding debt to Digital Equipment Corporation, of which $306,526 was classified as short-term. The notes are payable in monthly installments ranging from $12,000 to $39,000, bear interest at 10% and have a final maturity date of March 2000. These notes are secured by all of Intraco's assets. At June 30, 1999 the then full amount of $298,890 of this debt was treated as short-term.

In order to meet its liquidity requirements for the remainder of 1999, Intraco will be required to raise additional capital. Intraco is working with several financing sources to raise additional capital. If Intraco is unsuccessful in raising cash, it may have to curtail or restructure operations.

Year 2000 Readiness Disclosure Statements

Historically, many computer programs have been written using two digits rather than four to define the applicable year. This could lead, in many cases, to a computer recognizing a date ending in "00" as 1900 rather than the year 2000. This phenomenon could result in major computer system failures or miscalculations, and is generally referred to as the "Year 2000" problem.

Intraco is currently in the process of assessing its exposure to the Year 2000 problem and will establish a detailed response to any exposure that may be identified. Generally, Intraco has Year 2000 exposure in three areas: (1) Information Technology ("IT") Related Systems--financial and management computerized operating systems used to manage Intraco's business; (2) Non-IT Related Systems--equipment with "embedded chips" used by Intraco, including telephone and building security systems; and (3) Third Parties--computer systems used by third parties, in particular customers and suppliers of Intraco.

Although Intraco, based on its analysis to date, does not believe that it will incur any material costs or experience material disruptions in its business, related to the Year 2000 problem, there can be no assurances that Intraco or its third parties, customers or suppliers will successfully become Year 2000 compliant on a timely basis and thus will not experience serious unanticipated negative consequences or material costs. Undetected errors or defects in the technology used for Intraco's systems, which include hardware and software, and defects in the systems of Intraco's third parties, could cause these consequences. The most likely worst case scenario would include

- hardware failure,
- software failure resulting in an inability to receive orders from customers or shipments from suppliers or to bill customers and pay suppliers, and
- failure of infrastructure services provided by third parties (such as phone systems and building security systems).

Factors That May Affect Future Results

The following important factors, among others, could cause actual results to differ from those indicated in forward-looking statements made in this document. The following factors contain some forward-looking statements. Forward-looking statements give current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to our anticipated operating results for the year ending December 31, 1999, and our anticipated cash flow and to future actions, future performance or results of current and anticipated sales and marketing efforts, expenses, the outcome of contingencies, and other financial results. From time to time, Intraco or its management may provide oral or written forward-looking statements in other materials released to the public.

Any or all forward-looking statements in this document and in any other public statements made may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many factors mentioned in the discussion below will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially.

Neither Intraco nor its management undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. The reader is advised, however, to consult any further disclosures made on related subjects in future filings with the SEC.

History of Losses

Intraco has reported a net loss for each of the last two years. We cannot assure you that we will report a profit for 1999 or for future years.

Need For Additional Capital

Intraco must raise additional capital in the near term to continue its business plan. Intraco is working with several financial sources to raise additional capital but there are no guarantees that Intraco will be able to raise sufficient capital on a timely basis and on reasonable terms.

Rapid Growth

Intraco intends to continue to pursue both acquisitions and internal growth opportunities as part of its business strategy. Management cannot assure the reader that Intraco will be successful in achieving rapid growth in the future. Intraco expects that more of its future growth will result from acquisitions. Intraco recently completed a small acquisition, is negotiating several more and continues to evaluate expansion and acquisition opportunities that would complement our ongoing operations. There can be no assurance that Intraco will be able to identify, acquire or profitably manage additional companies or successfully integrate additional businesses into Intraco without substantial costs, delays or other problems. In addition, there can be no assurance that companies acquired in the future will be profitable at the time of their acquisition or will achieve levels of profitability that would justify the investment. Acquisitions may involve a number of special risks, including, but not limited to, adverse short-term effects on Intraco's reported operating results, diversion of management's attention, dependence on retaining, hiring and training key personnel, risks associated with unanticipated problems or legal liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on Intraco's operations and financial results.

Manufacturer Market Development Funds

Several manufacturers offer market development funds, cooperative advertising and other promotional programs to computer resellers such as Intraco. Intraco utilizes these programs to fund some of its advertising and promotional programs. The funds received from manufacturers are offset directly against the expense, thereby reducing selling, general and administrative expenses and increasing net income. While these programs have been available to Intraco in the past, there is no assurance that these programs will be continued. Any discontinuance or material reduction of these programs could have an adverse effect on Intraco's operations and financial results.

Management Information System

Intraco relies upon the accuracy and proper utilization of its management information system to provide timely distribution services, manage its inventory and track its financial information. To manage its growth, Intraco is continually evaluating the adequacy of its existing systems and procedures (including Year 2000 issues) and continues to update and integrate critical functions. Intraco anticipates that it will regularly need to make capital expenditures to upgrade and modify its management information system, including software and hardware, as Intraco grows and the needs of its business change. There can be no assurance that Intraco will anticipate all of the demands which its expanding operations will place on its management information system. The occurrence of a significant system failure or Intraco's failure to expand or successfully implement its systems could have a material adverse effect on Intraco's operations and financial results.

Dependence On Technical Employees

The success of Intraco's services business, in particular its network and integration services, depends in large part upon Intraco's ability to attract and retain highly skilled technical employees in competitive labor markets. There can be no assurance that Intraco will be able to attract and retain sufficient numbers of skilled technical employees. The loss of a significant number of Intraco's existing technical personnel or difficulty in hiring or retaining technical personnel in the future could have a material adverse effect on Intraco's operations and financial results.

Inventory Management

The information technology industry is characterized by rapid product improvement and technological change resulting in relatively short product life cycles and rapid product obsolescence. While most of the inventory stocked by Intraco is for specific customer orders, inventory devaluation or obsolescence could have a material adverse effect on Intraco's operations and financial results. Current industry practice among manufacturers is to provide price protection intended to reduce the risk of inventory devaluation, although such policies are subject to change at any time and there can be no assurance that such price protection will be available to Intraco in the future. During fiscal 1998, many manufacturers reduced the number of days for which they provided price protection. Also, Intraco currently has the option of returning inventory to certain manufacturers and distributors, subject to certain limitations. The amount of inventory that can be returned to manufacturers without a restocking fee varies under Intraco's agreements and such return policies may provide only limited protection against excess inventory. There can be no assurance that new product developments will not have a material adverse effect on the value of Intraco's inventory or that Intraco will successfully manage its existing and future inventory. In addition, Intraco stocks parts inventory for its services business. Parts inventory is more likely to experience a decrease in valuation as a result of technological change and obsolescence and there are no price protection practices offered by manufacturers with respect to parts.

Dependence On Key Personnel

The success of Intraco is dependent on the services of Jack Berger its President and Chief Executive Officer and other key personnel. The loss of the services of Mr. Berger or other key personnel could have a material adverse effect on Intraco's business. Intraco has entered into employment agreements with certain of its key personnel, including Mr. Berger. Intraco's success and plans for future growth will also depend on its ability to attract and retain highly skilled personnel in all areas of its business. Intraco does not currently maintain key man life insurance policies for any of its officers or other personnel.

Backlog

Intraco does not have a significant backlog of business since it normally delivers and installs products purchased by its customers within 30 days from the date of order. Accordingly, backlog is not material to Intraco's business or indicative of future sales. From time to time, Intraco experiences difficulty in obtaining products from its major vendors as a result of general industry conditions. These delays have not had, and are not anticipated to have, a material adverse effect on Intraco's results of operations.

Growth Through Acquisitions

Acquisitions are expected to contribute significantly to Intraco's growth. Intraco believes that acquisitions are one method of increasing its presence in existing markets, expanding into new geographic markets, adding experienced service personnel, gaining new product offerings and services, obtaining more competitive pricing as a result of increased purchasing volumes of particular products and improving operating efficiencies through economies of scale. In recent years, there has been consolidation among providers of microcomputer products and services and Intraco believes that this consolidation will continue, which, in turn, may present additional opportunities for Intraco to grow through acquisitions. Intraco continually seeks to identify and evaluate potential acquisition candidates. Intraco is currently engaged in preliminary discussions with potential acquisition candidates. Although it has no binding commitments to acquire such candidates, management believes that Intraco may acquire one or more of these candidates in the future.

The consideration for these acquisitions may consist of cash, stock and/or notes. The stock may cause dilution to current stockholders.

Integration Of Acquisitions

Integration of acquisitions may involve a number of risks that could have a material adverse effect on Intraco's operating results and financial condition, including: restructuring charges associated with the acquisitions and other expenses associated with a change of control; non-recurring acquisition costs such as accounting and legal fees; investment banking fees; amortization of acquired intangible assets; recognition of transaction-related obligationsand various other acquisition-related costs; diversion of management's attention; difficulties with retention, hiring and training of key personnel; and risks of incurring unanticipated problems or legal liabilities.

Although Intraco conducts due diligence, hires outside independent financial and accounting consultants, and generally requires representations, warranties and indemnifications from the former owners of acquired companies, there can be no assurance that such owners will have accurately represented the financial and operating conditions of their companies. If an acquired company's financial or operating results were misrepresented, or the acquired company otherwise fails to perform as anticipated, the acquisition could have a material adverse effect on the operating results and financial condition of Intraco.

Variability Of Quarterly Operating Results

Intraco has experienced, and may in the future continue to experience, fluctuations in its quarterly operating results. Factors that may cause Intraco's quarterly operating results to vary include the number of active client projects, the requirements of client projects, the termination of major client projects, the loss of major clients, the timing of new client engagements, and the timing of personnel cost increases. Certain of these factors may also affect Intraco's personnel utilization rates which may cause further variation in quarterly operating results. The timing of revenues is difficult to forecast because Intraco's sales cycle is relatively long and Intraco's services are impacted by both the financial condition and management decisions of its clients and general economic conditions. Because a high percentage of Intraco's expenses are relatively fixed at the beginning of any period and Intraco's general policy is to not adjust its staffing levels based upon what it views as short-term circumstances, a variation in the timing of the initiation or the completion of client assignments, particularly at or near the end of any quarter, can cause significant variations in operating results from quarter to quarter and could result in losses for any particular period. In addition, many of Intraco's engagements are, and may be in the future, terminable by its clients without penalty. A termination of a major project could require Intraco to maintain under-utilized employees, resulting in a higher than expected percentage of unassigned professionals, or to terminate the employment of excess personnel. Due to all of the foregoing factors, there can be no assurance that Intraco's results of operations will not be below the expectations of investors for any given fiscal period or periods.

Dependence On Major Customers

During 1998, approximately 29% of Intraco's total net sales and revenues were derived from one customer and 65% from our top 10 customers.

Attraction And Retention Of Employees

Intraco's business involves the delivery of professional services and is labor intensive. Intraco's success depends in large part on its ability to attract, develop, motivate, and retain technical professionals. At June 30, 1999 approximately 33% of Intraco's employees were technical professionals. Qualified technical professionals are in great demand and are likely to remain a limited resource for the foreseeable future. There can be no assurance that Intraco will be able to attract and retain sufficient numbers of technical professionals in the future. An increase in turnover rates could have a material adverse effect on Intraco's business, including its ability to secure and complete engagements and obtain new business, which could have a material adverse effect on Intraco's operating results and financial condition.

Rapid Technological Change

As with all IT solutions companies, Intraco's success will depend in part on its ability to develop IT solutions that keep pace with continuing changes in IT, evolving industry standards and changing client preferences. There can be no assurance that Intraco will be successful in adequately addressing these developments on a timely basis or that, if these developments are addressed, Intraco will be successful in the marketplace. In addition, there can be no assurance that products or technologies developed by others will not render Intraco's services noncompetitive or obsolete. Intraco's failure to address these developments could have a material adverse effect on Intraco's operating results and financial condition.

Material Amount Of Goodwill And Intangibles

If Intraco completes a significant number of acquisitions, it may be required to record a significant amount of goodwill. Goodwill represents the excess of cost over the fair market value of net tangible and identified intangible assets acquired in business combinations accounted for under the purchase method of accounting. In addition, Intraco will be required to periodically evaluate the recoverability of goodwill by reviewing the anticipated undiscounted future cash flows from the operations of the acquired companies and comparing such cash flows to the carrying value of the associated goodwill. If goodwill becomes impaired, Intraco would be required to write down the carrying value of the goodwill and incur a related charge to its income. A reduction in net income resulting from the amortization or write down of goodwill could have a material and adverse impact upon the market price of Intraco Common Stock.

Effect Of Anti-Takeover Provisions

The Intraco Board has the authority to issue up to 10,000,000 shares of preferred stock and to determine the price, rights, preferences and privileges of those shares without any further vote or action by Intraco stockholders. The rights of the holders of Intraco Common Stock will be subject to, and may be adversely affected by, the rights of the holders of preferred stock. While Intraco has no present intention to issue shares of preferred stock, such issuance, while providing desired flexibility in connection with possible acquisitions or other corporate purposes, could have the effect of delaying, deferring or preventing a change in control of Intraco and entrenching current management. In addition, such preferred stock may have other rights, including economic rights senior to those of the Intraco Common Stock, and, as a result, the issuance thereof could have a material adverse effect on the market value of the Intraco Common Stock.

A number of provisions of Intraco's Amended and Restated Certificate of Incorporation and By-Laws and the Nevada General Corporation Law relating to matters of corporate governance, certain rights of directors, and the issuance of preferred stock without stockholder approval, may be deemed to have and may have the effect of making more difficult, and thereby discourage a merger, tender offer, proxy contest or assumption of control and change of incumbent management, even when stockholders other than Intraco's management or principal stockholders consider such a transaction to be in their best interest.

Intellectual Property Rights

Intraco's success is dependent in part on methodologies used in designing, installing and integrating computer software and systems and other proprietary intellectual property rights. Intraco relys on a combination of nondisclosure and other contractual arrangements and trade secret, copyright, and trademark laws to protect their proprietary rights and the proprietary rights of third parties, enter into confidentiality agreements with their key employees, and limit distribution of proprietary information. There can be no assurance that the steps taken in this regard will be adequate to deter misappropriation of proprietary information or that Management will be able to detect unauthorized use and take appropriate steps to enforce the intellectual property rights.

Although Intraco believes that its services do not infringe the intellectual property rights of others and that it has all rights necessary to utilize the intellectual property employed in its business, Intraco is subject to the risk of claims alleging infringement of third-party intellectual property rights. Any such claims could require Intraco to spend significant sums in litigation, pay damages, develop non-infringing intellectual property, or acquire licenses to the intellectual property that is the subject of an asserted infringement claim.

Intraco owns no trademarks or patents. Although Intraco's various dealer agreements do not generally allow Intraco to use the trademarks and trade names of these various manufacturers, the agreements do permit Intraco to refer to itself as an "authorized representative" or an "authorized service provider" of the products of those manufacturers and to use their trademarks and trade names for marketing purposes. Intraco considers the use of these trademarks and trade names in its marketing efforts to be important to its business.

ITEM 3. DESCRIPTION OF PROPERTY

Intraco's corporate headquarters are located in approximately 6,800 square feet of leased office space in Boca Raton, Florida. The lease expires in October, 2003 and provides for annual payments ranging from

$84,060 in the first year to $98,431 in the fifth year. Intraco has two 5-year renewal options.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Common Stock of Intraco, beneficially by each person owning more than 5% of such common shares and the directors and executive officers, and by all officers and directors, as a group.

Name and Address of Beneficial Owner (1), (2)	Amount and Nature of Beneficial Ownership	Percent of Class Outstanding
Jack S. Berger	8,109,000	63%
Robert G. Hildreth, Jr.	20,000	0.15%
Vestar Capital, Inc.	891,000	6.87%
All Officers and Directors as a Group (3 persons)	8,129,000	63.15%

(1) Except as indicated, the address of each person named in the table is c/o Intraco Systems, Inc., 3998 Florida Atlantic University Boulevard, Suite 210, Boca Raton, Florida 33431

(2) Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of Common Stock listed, which include shares of common stock that such persons have the right to acquire a beneficial interest within 60 days from the date of this Report.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and executive officers of Intraco are set forth below. All directors and officers hold office for one year or until their successors have been elected and qualified. Vacancies in the existing board are filled by majority vote of the remaining directors.

Name	Age	Position (s) Held
Jack S. Berger	45	President, Secretary and Director
Robert Marcus	56	Chief Financial Officer and Treasurer
Carlos A. Munoz	46	Vice President of Technology Services
Robert G. Hildreth, Jr.	61	Director

Jack S. Berger has been Chief Executive Officer, President, and a Director of Intraco since its inception in 1990. Mr. Berger has over 20 years of experience in the domestic and international computer systems industry. During this time he has been involved in systems design, production control, domestic sales and marketing, international sales and marketing and field service for systems installation, maintenance, both on-site and off-site support, management and training. This combination of experiences gives Mr. Berger a keen understanding of all aspects of the computer industry.

Robert Marcus joined Intraco in January 1999 as Chief Financial Officer and Treasurer. Prior to this he was a partner in American Imprints, LLC, an advertising specialty company, from 1996 to 1998, chief executive officer of In-Store Opportunities, Inc., a marketing and display company serving major food manufacturers, from 1991 to 1996 and Chief Financial Officer from 1988 to 1990, Chief Operating Officer and Chief Financial Officer of Pioneer Communications Network, a publicly- traded publishing company, from 1985 to 1988. He previously worked for the Xerox Corporation from 1972 to 1985, in the Information Resources Group in various positions including Manager of Business Development & Manager of Financial Planning & Analysis.

Carlos Munoz joined Intraco in 1998 as Vice President of Engineering Services and oversees project management and engineering personnel. He is a senior level systems and design engineer with a broad base of experience. Prior to joining Intraco he was with Digital/Compaq since 1980, most recently as the NT Server Technical Marketing Manager. He was responsible for providing high level support for sales campaigns, project management, PC Server business, product marketing and training for WNT business on Intel and Alpha. He was also responsible for new Intel and Alpha product line promotions and projects. He coordinated Benchmarks, Demos, Events and Product Presentations in the US, Latin America, Central America and the Caribbean with Oracle, Novell, and Microsoft and promoted NT/E, MS Clusters Digital Clusters, Oracle Failsafe and Network Management Tools. Mr. Munoz has developed business plans and marketing strategies while interfacing with Product Managers for information of forecast, margins and discounts of new products. He has certifications with Microsoft MCSE, Novell CNE, DIGITAL/COMPAQ (VMS, PathWorks, Networks, Servers, and Clusters). He has First Class FCC and Electrician licenses.

Robert G. Hildreth, Jr. has been a director since May 1999. He is currently president of Hildreth Associates, a consulting firm, and was formerly the international director of the law firm of LeBouef, Lamb, Leiby & McRae, a senior utility advisor to Goldman Sachs Co., a Managing Director of Investment Banking for Merrill Lynch and a director of Merrill Lynch International Bank in London.

ITEM 6. EXECUTIVE COMPENSATION

Summary Compensations Table

The following table sets forth information concerning compensation for 1996-1998 received by the Chief Executive Officer (the "CEO").

		Annual Compensation			Long Term Compensation
Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Compensation	Securities Underlying Options/SARs
Jack S. Berger, President	1998	$137,800	-0-	-0-	0-
Jack S. Berger, President	1997	$ 99,900	-0-	-0-	-0-
Jack S. Berger, President	1996	$91,500	-0-	-0-	-0-

Compensation of Directors

Non-employee directors of Intraco do not receive cash compensation for their services. Mr. Hildreth was granted options to purchase 20,000 shares of common stock at an exercise price of $.25 in October 1998.

Employment Agreements

Intraco entered into a three-year employment agreement with Jack S. Berger, effective as of January 1, 1998, pursuant to which he serves as Intraco's president, secretary, and treasurer. The agreement provides for an annual salary of $137,800, payable in installments according to Intraco's regular payroll schedule. The base salary shall be adjusted at the end of each year of employment at the discretion of the board of directors.

The agreement also provides that Mr. Berger's employment may be terminated at Intraco's discretion during the initial term, provided that Intraco shall pay Mr. Berger an amount equal to payment at his base salary rate for the remaining period of the initial term, plus an amount equal to 50% of his base salary. In the event of such termination, Mr. Berger is not entitled to any incentive salary payment of any other compensation then in effect, prorated or otherwise. At its discretion, Intraco may also terminate Mr. Berger any time after the initial term, provided that in such case Mr. Berger shall be paid 50% of his then applicable base salary. In the event of such termination, Mr. Berger shall not be entitled to receive any incentive salary payment or any other compensation then in effect, prorated or otherwise.

The agreement may also be terminated by Mr. Berger at his discretion by providing at least 30 days prior written notice to Intraco, in which case Intraco may immediately relieve Mr. Berger of all duties and immediately terminate the agreement, provided that Intraco shall pay Mr. Berger at the then applicable base salary rate to the termination date included in Mr. Berger's original termination notice.

In the event that Mr. Berger is in breach of any material obligation owed to Intraco, habitually neglects the duties to be performed under the agreement, engages in any conduct which is dishonest, damages the reputation or standing of Intraco, or is convicted of any criminal act or engages in any act of moral turpitude, then Company may terminate the agreement upon five days notice to Mr. Berger. In the event of such termination, Mr. Berger shall be paid only at the then applicable base salary rate up to and including the date of the termination, and shall not be paid any incentive salary payments or other compensation, prorated or otherwise.

Intraco entered into a three-year employment agreement with Robert Marcus, effective as of January 18, 1999, pursuant to which he serves as Intraco's Chief Financial Officer. The agreement provides for a base salary of $84,000 during the first year. Upon the first anniversary of the consummation of this agreement, the compensation will be reviewed and raised to a salary base of $10,000 per month provided that Intraco has grown to an annual run rate of $15,000,000 gross revenues and a profitability of at least 8% net before taxes measured over the average of the preceding 90 days of operations. Further increases will be at the discretion of the board of directors.

The agreement provides that Mr. Marcus's employment may be terminated at Intraco's discretion during the initial term, provided that Intraco shall pay Mr. Marcus an amount equal to payment at his base salary rate for the remaining period of the initial term. In the event of such termination, Mr. Marcus shall not be entitled to any incentive salary payment of any other compensation then in effect, prorated or otherwise. The agreement may also be terminated by Mr. Marcus at his discretion, according to the same terms and conditions applicable to Mr. Berger, described above.

In the event that Mr. Marcus is in breach of any material obligation owed to Intraco, habitually neglects the duties to be performed under the agreement, engages in any conduct which is dishonest, damages the reputation or standing of Intraco, or is convicted of any criminal act or engages in any act of moral turpitude, Intraco may terminate the agreement upon the same terms and conditions applicable to Mr. Berger, as described above.

In recognition of the potential value of Mr. Marcus to Intraco and to induce him to forego other employment opportunities, Intraco agreed to issue to Mr. Marcus an option to purchase 200,000 shares of Intraco common stock. The option to purchase 100,000 shares is exercisable by Mr. Marcus on January 18th of the years 2000 and 2001, at a purchase price of $.25 per share, and expires January 18, 2004.

Intraco entered into an employment agreement with Carlos Munoz, effective as of January 4, 1998, through December 31, 1999, pursuant to which he serves as Intraco's Vice-President of Technology Services. The agreement provides for a base rate of $75,000 per annum effective July 1, 1999, with an increase to $80,000 per annum effective October 1, 1999.

Compensation Committee Interlocks and Insider Participation

Intraco had no compensation committee during 1998. Intraco anticipates forming and implementing a compensation committee during 1999.

Stock Option Plan

Intraco's stock option plan currently authorizes the award of up to 2,000,000 shares of common stock in the form of stock options As of June 1, 1999, stock options to purchase 1,127,500 shares of common stock were outstanding under the plan. Accordingly, 872,500 shares of common stock are available for future awards under the plan. The purpose of the plan is to enable Intraco to attract and retain qualified and competent employees and to enable such persons to participate in the long-term success and growth of Intraco by giving them an equity interest in Intraco, and to enable Intraco to pay all or part of the compensation of the directors of Intraco other than a director who is an officer or employee of Intraco, and to provide consultants and advisors with options to purchase shares of Intraco's common stock, thereby increasing the proprietary interest in Intraco.

All employees of Intraco are eligible to be granted awards under the plan. Consultants of and advisors to Intraco are eligible to be granted awards under the plan if their services are of a continuing nature or otherwise contribute to the long-term success and growth of Intraco.

The participants under the plan shall be selected from time to time by the board of directors, or if constituted by the board of directors, by the compensation committee, in its sole discretion, from among those eligible.

In granting options, the compensation committee considers current levels of compensation, the need to provide incentives to particular employees, past performance, comparison to employees at comparable companies holding similar positions and Intraco's overall performance.

The plan is administered by the compensation committee, currently the board of directors or such other committee of directors as the board shall designate. The committee makes all decisions or determinations by either a majority vote of its members at a meeting or by the unanimous written approval of its members. The committee may adopt, alter or repeal any administrative rules, guidelines and practices for carrying out the purposes of the plan. The committee has the right to determine, among other things, the persons to whom awards are granted, the terms and conditions of any awards granted, the number of shares of common stock covered by the awards, the exercise price of options and the term thereof.

The exercise price, term and exercise period of each stock option shall be fixed by the committee at the time of grant. Notwithstanding the fixed option price, no incentive stock option shall (i) have an option price which is less than 100% of the fair market value of the common stock on the date of the award of the stock option and, in the case of an Incentive Stock Option granted to a 10% shareholder, the per share exercise price will not be less than 110% of the fair market value, (ii) be exercisable more than ten years after the date such incentive stock option is awarded, or (iii) be awarded more than ten years after the plan is adopted by the board.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

From time to time, Intraco has loaned funds to and sold products to Intraco, Ltd., which is owned by Jack Berger, Intraco's president. In 1997 Intraco sold $216,000 and received cash payments of $82,590 and in 1998 sold $235,255 and received cash payments of $199,126. The remaining $123,059 was converted in a note receivable bearing interest at 6% per annum and payable in 36 monthly installments. This note is current.

In May 1997, Intraco entered into a consulting agreement with Vestar Capital Corporation pursuant to which Vestar provides organizational and strategic planning services. Vestar has assisted Intraco with an internal reorganization in 1998 and assisted in the identification of potential acquisitions. The compensation under this agreement provided for monthly fees of $3,000 through February 1998, and $1,650 per week thereafter. Vestar was also issued 891,000 shares of common stock, which represented 9.9% of the then-outstanding shares, and had the right to be issued warrants to maintain its 9.9% interest for all issuances of capital stock until May 2000 as an anti-dilution provision. During March 1999, Intraco issued to Vestar warrants to purchase 150,000 shares of common stock at $0.25 per share in exchange for the cancellation of the anti-dilution clause of its 1997 agreement.

In April 1999, Intraco completed an exchange agreement with Custom Touch Electronics, Inc. ("CTE"), a Nevada corporation with no material operations whose common stock traded on the OTC Bulletin Board, pursuant to which all outstanding shares of Intraco capital stock were exchanged for 10,531,500 CTE shares. The prior shareholders and promoters of CTE hold 2,429,489shares and the Intraco shareholders at the time of the exchange hold 10,531,500 shares. As a result, Intraco Systems became a wholly-owned subsidiary of CTE and CTE changed its name to Intraco Systems, Inc. A total of 1,487,298 shares were issued to Jensen Services and Associates for services associated with the exchange agreement.

In April 1999, Intraco entered into an agreement with H&J Investments to sell on its behalf 866,000 shares of Common Stock at $1.00 per share to non-U.S. investors. H&J issued to Intraco a 12-month note in the principal amount of $866,000, of which $325,000 has been paid as of August 1, 1999.

ITEM 8. DESCRIPTION OF SECURITIES

Intraco's authorized capital stock consists of 100,000,000 shares of common stock, par value $0.001 per share, 12,960,989 shares of which are issued and outstanding. The outstanding shares of Common Stock are fully paid and non-assessable. Intraco is further authorized to issue up to 10,000,000 shares of "blank check preferred stock," par value $0.001 per share, 748,500 shares of which are issued and outstanding as of the date hereof.

Common Stock

The holders of Common Stock are entitled to one vote per share for the election of directors and with respect to all other matters submitted to a vote of stockholders. Shares of Common Stock do not have cumulative voting rights, which means that the holders of more than 50% of such shares voting for the election of directors can elect 100% of the directors if they choose to do so and, in such event, the holders of the remaining shares so voting will not be able to elect any directors. Current holders of Intraco's Common Stock, will have majority voting control. As a result, such persons will be in the position to effectively control the affairs of Intraco.

Upon any liquidation, dissolution or winding-up of Intraco, the assets of Intraco, after the payment of Company debts and liabilities and any liquidation preferences of, and unpaid dividends on, any class of preferred stock which may then be outstanding, if at all, will be distributed pro-rata to the holders of the Common Stock. The holders of the Common Stock do not have preemptive rights to subscribe for any securities of Intraco and have no right to require Intraco to redeem or purchase their shares.

Holders of Intraco's Common Stock are entitled to receive such dividends as the board of directors may from time to time declare to be paid in accordance with Nevada law and if Intraco has sufficient surplus or net earnings. Intraco has never paid cash dividends. Intraco seeks growth and expansion of its business through the reinvestment of profits, if any, and does not anticipate that it will pay dividends in the foreseeable future.

Intraco may issue substantial additional shares of its Common Stock in the future for such valid corporate purposes, as management may, in its sole discretion, determine, which would then cause substantial dilution to Intraco's then Common Stockholders.

Preferred Stock

Intraco's Board of Directors are authorized to issue such preferred stock in one or more series and to fix the voting powers and the designations, preferences and relative, participating, optional or other rights and restrictions thereof. Accordingly, Intraco may issue one or more series of preferred stock in the future that will have preference over its Common Stock with respect to the payment of dividends and upon its liquidation, dissolution or winding up or have voting or conversion rights which could adversely affect the voting power and percentage ownership of the holders of the Common Stock.

Intraco has designated 10,000,000 shares of Preferred Stock as Series A Convertible Redeemable Preferred Stock, of which 748,500 shares are currently outstanding. Each share is convertible into one share of Common Stock, subject to adjustment in certain circumstances. Each share of Series A Preferred Stock is entitled to receive a cumulative dividend of 7% per annum, payable quarterly. Each share has a liquidation value of $1.00. The shares may be redeemed at Intraco's option at any time for $1.00 per share. Each share of Preferred Stock is entitled to one vote per share, and the Series A Preferred Stock will vote as a class with the Common Stock except as required by law.

Warrants

Intraco has issued warrants to purchase 150,000 shares of common stock at $0.25 per share to Vestar Capital Corporation which represent all currently issued warrants.

PART II

ITEM 1. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(A) MARKET INFORMATION

Intraco's Common Stock has been listed for trading on the OTC Bulletin Board under the symbol "INSY" since April 29, 1999. Intraco does not believe that there was any trading activity in the CTE Common Stock in 1997 and 1998. The following table shows the high and low bid prices for the Common Stock during the period from April 29 , 1999 (the date of initial quotation on the OTC Bulletin Board) through June 30, 1999. Intraco believes that these quotations reflect inter-dealer prices, without retail mark- up, mark-down or commission, and may not represent actual transactions.

	HIGH	LOW
April 29 through June 30, 1999	$7.75	$1.50
July 1 through August 5, 1999	$5.00	$1.125

(B) HOLDERS

At June 30, 1999, there were approximately 365 holders of record of Intraco's common stock. Intraco believes the number of beneficial owners of its common stock is in excess of 360. There were 63 holders of Series A Preferred Stock.

(C) DIVIDENDS

Intraco has paid $1,092 of dividends on the Series A Preferred Stock in 1999. Intraco has not paid dividends on its common stock and does not intend to pay dividends for the foreseeable future. Intraco intends to retain earnings, if any, to finance the development and expansion of its business. Payment of dividends in the future will depend, among other things, upon Intraco's ability to generate earnings, its need for capital and its overall financial condition. As part of the Preferred Stock sold during 1999, Intraco created a capital pool to assure investors of dividend payments during the first year regardless of profitability or other circumstances.

ITEM 2. LEGAL PROCEEDINGS

Intraco is not a party to any legal proceedings which individually or in the aggregate, is believed to be material to Intraco's business.

ITEM 3. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting or financial disclosure matters.

ITEM 4. RECENT SALES OF UNREGISTERED SECURITIES

In November 1998, Intraco sold an aggregate of 665,,200 shares of Common Stock for gross proceeds of $166,300 to 33 accredited investors in an offering exempt from registration pursuant to Rule 504 promulgated pursuant to the Securities Act of 1933. From December 1998 through April, 1999, Intraco sold an aggregate of 748,500 shares of Series A Preferred Stock for gross proceeds of $748,500 to 63 accredited investors in an offering exempt from registration pursuant to Rule 506 and Regulation S promulgated pursuant to the Securities Act of 1933. Primex Securities, Inc. acted as placement agent and received $97,305 for commissions.

In April 1999, Intraco entered into an agreement with H&J Investments to sell on its behalf 866,300 shares of Common Stock at $1.00 per share to non-U.S. investors. H&J issued to Intraco a 12-month note in the principal amount of $866,300, , of which $300,000 has been paid as of July 31, 1999.

In May 1997 Intraco issued 891,000 shares to Vestar Capital in exchange for services pursuant to a consulting agreement. In April 1999, in connection with the transaction pursuant to which Intraco became a subsidiary of CTE, an aggregate of 1,487,298 shares of Common Stock was issued to Jensen Services and Associates for services rendered in connection with the transaction. This transaction was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

In 1996, CTE issued an aggregate of 3,600,000 shares of Common Stock for services to Terry Nish (3,000,000) and Duane Ford (600,000) and 10,000,000 shares for cash at a purchase price of $.001 per share.

In 1997, CTE issued an aggregate of 5,000,000 shares of Common Stock for services to Terry Nish.

In 1998, CTE issued an aggregate of 5,200,000 shares of common stock for services to Terry Nish (4,000,000) and Cecil McCray (1,200,000).

ITEM 5. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Intraco may agree to the terms and conditions upon which any director, officer, employee or agent accepts an office or position and in its By-laws, by contract or in any other manner may agree to indemnify and protect any director, officer, employee or agent of Intraco, or any person who serves at the request of Intraco as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, to the fullest extent permitted by the Nevada Revised Statutes (including, without limitation, the statutes, case law and principles of equity) of the State of Nevada. If the NRS (including without limitation, the statutes, case law or principles of equity, as the case may be) of the State of Nevada are amended or changed to permit or authorize broader rights of indemnification to any of the persons referred to in the immediately preceding sentence, then Intraco shall be automatically authorized to agree to indemnify such respective persons to the fullest extent permitted or authorized by such law, as so amended or changed, without the need for amendment or modification of the Articles of Intraco and without further action by the Directors or stockholders of Intraco.

Without limiting the generality of the foregoing provision of this item, to the fullest extent permitted or authorized by the NRS as now in effect and as the same may from time to time hereafter be amended, no director of Intraco shall be personally liable to Intraco or to its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of the immediately preceding sentence shall not adversely affect any right or protection of a director of Intraco existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

FINANCIAL STATEMENTS

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DASZKAL, BOLTON & MANELA CPAs
CERTIFIED PUBLIC ACCOUNTANTS
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MICHAEL S. KRIDEL, CPA, P.A.

MEMBER OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Intraco Systems, Inc.

We have audited the accompanying balance sheets of Intraco Systems, Inc., as of December 31, 1998 and 1997, and the related statements of operations, changes in stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intraco Systems, Inc., as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Boca Raton, Florida
February 26, 1999, except for
Notes 12 and 13 as to which the date is
March 3, 1999

INTRACO SYSTEMS, INC.
BALANCE SHEETS

ASSETS

	December 31,		June 30, (Unaudited)	
	1998	1997	1999	1998
Current assets:				
Cash	$ 32,245	$ 255,034	$ 49,264	$ 44,363
Accounts receivable	49,900	235,627	321,000	186,585
Notes receivable	-	-	125,000	-
Inventory	65,840	-	86,251	-
Interest receivable	-	-	16,722	-
Prepaid expenses	125,945	127,265	53,866	123,915
Total current assets	273.930	617.926	652.103	354.863
Property and equipment, net	113.076	73.444	114.865	73.906
Other assets:				
Due from related party	46,480	133,410	-	152,858
Note receivable - related party	123,059	-	48,096	-
Goodwill	-	-	83,910	-
Due from shareholder	20,500	-	-	-
Deposits	13,819	2,708	21,064	2,708
Total other assets	203.858	136.118	153.070	155.566
Total assets	$ 590,864	$ 827,488	$ 920,038	$ 584,335

See accompanying notes to financial statements.

INTRACO SYSTEMS, INC.
BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' DEFICIT

	December 31,		June 30, (Unaudited)	
	1998	1997	1999	1998
Current liabilities:				
Accounts payable	$ 332,476	$ 716,146	$ 641,002	$ 289,800
Deferred revenue	152,174	593,733	63,897	515,386
Accrued expenses	-	-	33,973	-
Customer deposits	172,195	-	31,373	-
Note payable	306,526	50,000	298,890	238,000
Due to shareholder	17,700	-	-	-
Total current liabilities	981,071	1,359,879	1,069,135	1,043,186
Note payable	113,686	-	-	-
Stockholders' deficit:				
Convertible redeemable preferred stock, $.001 par value, 10,000,000 shares authorized and 52,500 shares issued and outstanding, 7% cumulative, with a $1.00 per share preference value	53	-	749	-
Common stock, $.001 and $.001 par value 100,000,000 shares authorized, 9,665,200 and 9,000,000 shares issued and outstanding	9,665	9,000	13,020	9,000
Additional paid-in capital	131,797	23,822	1,352,539	23,822
Subscription receivable	-	-	(566,300)	-
Accumulated deficit	(645,408)	(565,213)	(949,105)	(491,673)
Total stockholders' deficit	(503,893)	(532,391)	(149,097)	(458,851)
Total liabilities and stockholders' deficit	$ 590,864	$ 827,488	$ 920,038	$ 584,335

See accompanying notes to financial statements

INTRACO SYSTEMS, INC.
STATEMENTS OF OPERATIONS

	Years ended December 31,		Six months ended June 30, (Unaudited)	
	1998	1997	1999	1998
Revenues:				
Systems/networks	$1,248,824	$2,287,861	$1,383,474	$ 693,299
Service contracts	1,456,107	1,268,316	318,139	718,330
Total revenues	2,704,931	3,556,177	1,701,613	1,411,629
Cost of revenues:				
Systems/networks	638,885	1,443,080	1,033,293	313,676
Service contracts	1,073,835	1,163,589	206,687	542,967
Total cost of revenues	1,712,720	2,606,669	1,239,980	856,643
Gross profit	992,211	949,508	461,633	554,986
General and administrative	1,037,829	1,116,198	764,007	463,267
Income (loss) from operations	(45,618)	(166,690)	(302,374)	91,719
Interest income	2,490	1,432	17,018	2,046
Interest expense	(37,067)	(6,005)	(18,341)	(20,225)
Income (loss) before income taxes	(80,195)	(171,263)	(303,697)	73,540
Provision (benefit) for income taxes	-	-	-	-
Net income (loss)	$ (80,195)	$ (171,263)	$ (303,697)	$ 73,540
Net income (loss) per share (basic and diluted)	$ (.009)	$ (.019)	$ (.03)	$ .008

See accompanying notes to financial statements.

INTRACO SYSTEMS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

	Preferred Stock		Common Stock		Additional Paid-in	Subscriptions	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Receivable	Deficit	Total
Balance at December 31, 1996	-	$ -	100	$ 100	$ -	$ -	$ 32,023	$ 32,123
Common stock split (90,000 to 1)	-	-	8,999,900	8,900	(8,900)	-	-	-
Prior period adjustments	-	-	-	-	-	-	(425,973)	(425,973)
Balance at December 31 1996, as adjusted	-	-	9,000,000	9,000	(8,900)	-	(393,950)	(393,850)
Conversion of shareholder note	-	-	-	-	32,722	-	-	32,722
Net loss for the year	-	-	-	-	-	-	(171,263)	(171,263)
Balance at December 31, 1997	-	-	9,000,000	9,000	23,822	-	(565,213)	(532,391)
Issuance of common stock for cash	-	-	665,200	665	165,635	-	-	166,300
Costs associated with issuance of stock	-	-	-	-	(110,107)	-	-	(110,107)
Issuance of preferred stock for cash	52,500	53	-	-	52,447	-	-	52,500
Net loss for the year	-	-	-	-	-	-	(80 ,195)	(80,195)
Balance at December 31, 1998	52,500	53	9,665,200	9,665	131,797	-	(645,408)	(503,893)
Unaudited:								
Net loss, June 30, 1999	-	-	-	-		-	(303,697)	(303,697)
Costs associated with recapitalization					(283,153)	-	-	(283,153)
Issuance of common stock			1,631,300	1,631	902,894	-	-	904,525
Costs associated with issuance of stock					(202,964)	-	-	(202,964)
Dividends paid					(1,092)	-	-	(1,092)
Issuance of preferred stock for cash	696,000	696			695,304	-	-	696,000
Acquisition of assets of CTE			1,664,489	1,664	1,773	-	-	3,437
Issuance of common stock for acquisition	-	-	60,000	60	107,980	-	-	108,040
Subscriptions receivable	-	-	-	-	-	(566,300)	-	(566,300)
Balance, June 30, 1999	748,500	$ 749	13,020,989	$13,020	$1,352,539	$ (566,300)	$ (949,105)	$(149,097)

See accompanying notes to financial statements.

INTRACO SYSTEMS, INC.
STATEMENTS OF CASH FLOWS

	Years ended December 31,		Six months ended June 30, (Unaudited)	
	1998	1997	1999	1998
Net (loss)	$ (80,195)	$ (171,263)	$ (303,697)	$ 73,540
Adjustments to reconcile net loss to net cash provided (used) by operating activities:				
Depreciation	18,426	16,099	9,602	13,365
Changes in assets and liabilities:				
(Increase) decrease in:				
Inventory	(65,840)	-	(20,411)	-
Accounts receivable	185,727	(34,855)	(271,100)	49,042
Interest receivable	-	-	(16,722)	-
Note receivable - related	-	-	74,963	-
Prepaid expenses	1,320	107,569	72,079	3,350
Due from related parties	(38,929)	(133,410)	46,480	(19,448)
Due from Shareholder	-	-	2,800	-
Security deposits	(11,111)	-	(7,245)	-
Increase (decrease) in:				
Accounts payable	143,236	609,544	308,526	(152,346)
Accrued expenses	-	-	33,973	-
Deferred revenue	(441,559)	109,094	(88,277)	(78,347)
Customer deposits	172,195	-	(140,822)	-
Net cash provided (used) by operating activities	(116,730)	502,778	(299,851)	(110,844)
Cash flows from investing activities:				
Purchase of property and equipment	(58,058)	(13,931)	(5,391)	(13,827)
Cash flows from financing activities:				
Proceeds from issuance of common stock	166,300	-	234,792	-
Proceeds from issuance of preferred stock	52,500	-	696,000	-
Costs associated with issuance of stock	(110,107)	-	(202,964)	-
Dividends paid	-	-	(1,092)	-
Repayment of long-term debt	(156,694)	(290,124)	(121,322)	(86,000)
Increase stockholder loans	-	1,739	-	-
Costs associated with recapitalization	-	-	(283,153)	-
Net cash provided (used) by financing activities	(48,001)	(288,385)	322,261	(86,000)
Net increase (decrease) in cash	(222,789)	200,462	17,019	(210,671)
Cash, beginning of year	255,034	54,572	32,245	255,034
Cash, end of year	$ 32,245	$ 255,034	$ 49,264	$ 44,363
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest paid	$ 37,067	$ 6,005	$ 18,341	$ 20,225
Non-cash transactions affecting investing activities:				
Property and equipment acquired in acquisition	$ -	$ -	$ 6,000	$ -
Non-cash transactions affecting financing activities:				
Conversion of shareholder note into common stock	$ -	$ 32,722	$ -	$ -
Conversion of accounts payable to note payable	$ 438,906	$ -	$ -	$ 438,906
Common stock issued for note	$ -	$ -	$ 691,300	$ -
Issuance of common stock for acquisition	$ -	$ -	$ 90,000	$ -

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Intraco Systems, Inc., (the "Company") specializes in providing a full range of computer solutions worldwide based on its software products, complete systems, complex networks, and Internet solutions. These include hardware and/or software technical services such as custom software and software migrations, as well as technical support both on-site and remote as may be required.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over their estimated useful lives.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Generally, revenues from sales of products are recognized when products are shipped unless the Company has obligations remaining under a sales or licensing agreement, in which case revenue is either deferred until all obligations are satisfied or recognized ratably over the term of the contract. Revenues from sales of maintenance contracts in 1998 and 1997 were $1,456,407 and $1,268,316, respectively.

Inventory

Inventory consists primarily of computer equipment purchased for resale, and is stated at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method.

Unaudited Interim Information

The information presented as of June 30, 1999 and 1998, and for the six month periods ended June 30, 1999 and 1998, has not been audited. In the opinion of management, the unaudited interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of June 30, 1999 and 1998, and the results of its operations

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unaudited Interim Information (Continued)

and its cash flows for the six months ended June 30, 1999 and 1998, and the stockholders deficit for the six months ended June 30, 1999.

Earnings Per Share

Earnings per share are computed based on the weighted average number of common shares outstanding during the year. Stock warrants and options outstanding are common stock equivalents and are included in the calculation of earnings per share to the extent they are dilutive using the treasury-stock method. Basic and diluted earnings per share are the same.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	1998	1997
Leasehold improvements	$ 50,282	$ -
Equipment	111,696	103,919
Furniture and fixtures	22,260	22,260
Total property and equipment	184,238	126,179
Less: accumulated depreciation	(71,162)	(52,735)
Property and equipment, net	$ 113,076	$ 73,444

Depreciation expense for the years ended December 31, 1998 and 1997, was $18,426 and $16,099, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Company is affiliated with various companies through common ownership. During the years ended December 31, 1998 and 1997, the Company had the following transactions with a related party (Intraco, Ltd.):

	1998	1997
Due from related party - beginning of year	$ 133,410	$ -
Sales to related party	235,255	216,000
Cash received	(199,126)	(82,590)
Less: Amount converted to note receivable (Due in 36 monthly installments, with an interest rate of 6%)	123,059	-
Due from related party - end of year	$ 46,480	$ 133,410

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

The Company paid a minority shareholder of the Company $90,000 during 1998 pursuant to a consulting agreement.

NOTE 5 - OPERATING LEASES

The Company leases facilities and equipment under operating leases, with terms from three to five years, payable in monthly installments. Total lease expense for the years ended December 31, 1998 and 1997, was $67,860 and $45,711, respectively.

Future minimum lease payments for leases with a term in excess of one year are as follows:

Years ended December 31,	
1999	$157,000
2000	161,000
2001	151,000
2002	130,000
2003	127,000

NOTE 6 - LONG-TERM DEBT

At December 31, 1998 and 1997, long-term debt consists of the following:

	1998	1997
Note payable, due on demand, with an interest rate of 13.5%, with remaining balance due January 31, 1998.	$ -	$ 50,000
Note payable due in monthly installments ranging from $12,000 to $39,000 plus interest at 10%, with remaining balances due March 2000. Secured by all assets of the Company.	420,212	-
Less current portion	306,526	50,000
	$ 113,686	$ -

Aggregate maturities of long-term debt are as follows:

1999	$306,526
2000	113,686
Total	$420,212

NOTE 6 - LONG-TERM DEBT (Continued)

Total interest expense for the years ended December 31, 1998 and 1997, was approximately $37,000 and $6,000, respectively.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Company maintains its cash bank deposit at various financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $100,000 and the balance, at times, may exceed federally insured limits. At December 31, 1998, the Company's cash balance did not exceed the insured limit. The balance exceeded the insurance limit by approximately $155,000 at December 31, 1997.

NOTE 8 - MAJOR CUSTOMER

Sales to one customer in 1998 and 1997, represented approximately 29% and 64% of total sales, respectively.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

During 1997, an adjustment was made to correct the Company's revenue and expense recognition method relating to its service contracts. In previous years the Company recognized the revenue and expense on the cash basis. This error was corrected and revenue and expenses are now recognized when earned or incurred, respectively. The effect of this adjustment, when reported in the appropriate year was to decrease stockholders' equity as reported at December 31, 1996 by $(254,653).

The Company also adjusted the financial statement to correct the overstatement of the capitalized software costs. During 1997, it was determined that the capitalized software costs had no future benefit as of December 31, 1996. The effect of this adjustment, when reported in the appropriate year was to decrease stockholders' equity as reported at December 31, 1996 by $(171,320).

The total effect of these adjustments was to decrease the stockholders' equity balance as reported at December 31, 1996 by $(425,973).

NOTE 10 - STOCKHOLDERS' DEFICIT AND STOCK OPTION PLAN

In August and in November 1998, the Company amended and restated the Articles of Incorporation. The Company increased the aggregate number of shares to 60,000,000 consisting of 50,000,000 shares of common stock, par value $.001 per share and 10,000,000 shares of preferred stock, par value $.001 per share, 7% cumulative dividend, payable quarterly starting February 1, 1999. The preferred stock is redeemable at any time at the option of the Company at $1.00 per share. Five years from the date of issuance or 180 days after the effective date of the Company's initial public offering, the holders of at least 51% of the Series A preferred stock will have one demand registration right. The Company will be contractually required to use its best efforts to file a registration statement and to have such registration statement become effective.

NOTE 10 - STOCKHOLDERS' DEFICIT AND STOCK OPTION PLAN (Continued)

In November of 1998, the Company commenced a Regulation D 504 stock offering and as a result of the offering the Company issued 665,200 shares of common stock for $166,300 or $.25 per share. Also in November of 1998, the Company began a preferred stock offering and as a result of the offering, the Company issued 52,500 shares of preferred stock of which 12,500 shares were issued under Regulation D 506 and 40,000 shares under Regulation S, at $1.00 per share which totals $52,500. Costs incurred associated with these offerings totaled $110,000. The Company is continuing these offerings of common and preferred stock and during the period January 1, 1999 through March 3, 1999, raised additional capital of approximately $328,000.

Holders will have the right to convert the Series A preferred stock, in whole or in part, at any time, or from time to time, into the common stock, par value $0.001, of the Company. The initial conversion rate shall be on a one-to-one basis and shall be subject to proportional stock splits, stock dividends and reverse stock splits, and to standard weighted average price-based anti-dilution provisions as well as specific anti-dilution provisions with respect to any future series of preferred stock.

Stock Option Plan

Under the Company's stock option plan, 2,000,000 shares of common stock were reserved for issuance upon exercise of options granted to directors, officers and employees of the Company. Options issued through December 31, 1998, carry exercise prices equal to that of the fair market value on the date of the grant. The options vest equally over a period of two years following the date of grant and the unexercised portion of the options expires and ceases to be exercisable on the earlier of the tenth year after the date of the grant or specified date following termination of employment.

The Company has elected to account for the stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense has been recognized on the stock options.

Had compensation expense for the stock option plan been determined based on the fair value of the options at the grant date consistent with the methodology prescribed under Statement of Financial Standards No. 123, "Accounting for Stock Based Compensation," the Company's 1998 net loss would have increased by $6,649. The fair value of each option is estimated on the date of grant using fair market option pricing model with the following assumption:

Risk-free interest rate	5.28%
Expected life (years)	10
Expected volatility	n/a
Expected dividends	None
Weighed average remaining contractual life	1.75 years

NOTE 10 - STOCKHOLDERS' DEFICIT AND STOCK OPTION PLAN (Continued)

Stock Option Plan (Continued)

A summary of option transactions during the years ended December 31, 1998 and 1997, is shown below:

	Number of Options	Weighted Average Exercise Price Per Option
Outstanding at December 31, 1997	-	$ -
Granted	900,000	.25
Exercised	-	-
Forfeited	(85,000)	.25
Outstanding at December 31, 1998	815,000	$ .25

NOTE 11 - INCOME TAXES

The provision (benefit) for income taxes is as follows:

	1998	1997
Taxes currently payable	$ -	$ -
Deferred income tax benefit	27,485	229,897
Change in beginning valuation allowance	(27,485)	(229,897)
Provision (benefit) for income taxes	$ -	$ -

Reconciliation of the Federal statutory income tax rate to the Company's effective income tax rate is as follows:

	1998	1997
Computed at the statutory rates (34%)	$(27,266)	$ (58,229)
Increase (decrease) resulting from:		
Non-deductible expenses	2,692	678
State income taxes, net of federal income tax benefit	(2,911)	(6,216)
Reinstatement of deferred tax asset at 5/7/97	-	(188,554)
Reinstatement/change in deferred tax asset valuation allowance	27,485	229,897
Other	-	22,424
Tax provision (benefit)	$ -	$ -

NOTE 11 - INCOME TAXES (Continued)

The components of the deferred tax asset were as follows at December 31:

	1998	1997
Net operating loss carryforward	$ 249,648	$ 59,519
Deferred revenue	57,263	223,422
Total deferred tax asset	306,911	282,941
Deferred tax liabilities:		
Deferred costs	(41,239)	(46,807)
Depreciation expense	(8,290)	(6,237)
Net deferred tax asset	257,382	229,897
Valuation allowance:		
Beginning of year	(229,897)	-
Decrease (increase) during year	(27,485)	(229,897)
Ending balance	(257,382)	(229,897)
Net deferred taxes	$ -	$ -

At December 31, 1998 and 1997, the Company has unused net operating loss carryforwards of approximately $663,000 and $158,000, respectively, expiring primarily in 2013 and 2012, which are available for use on its future corporate Federal and State tax returns.

NOTE 12 - SUBSEQUENT EVENTS

During the period from January 1, 1999 to March 3, 1999, the Company raised additional capital, from stock offerings, totaling, approximately $328,000.

Unaudited

In April of 1999, CTE, a public shell, acquired all of the outstanding common stock of the Company. For accounting purposes, the acquisition has been treated as an acquisition of CTE by the Company and as a recapitalization of the company. As a result of the recapitalization, the Company is now authorized to issue 100,000,000 shares of common stock.

NOTE 13 - MANAGEMENT'S PLAN

As shown in the accompanying financial statements, the Corporation incurred a net loss of $80,195 during the year ended December 31, 1998, and $171,263 for the year ended December 31, 1997. The Company's current liabilities exceeded its current assets by $707,141 and $741,953, respectively. The ability of the Corporation to continue as a going concern is dependent on increasing sales and obtaining additional capital and financing. The financial statements do not include any adjustments that might be necessary if the Corporation is unable to continue as a going concern.

NOTE 13 - MANAGEMENT'S PLAN (Continued)

Management's plan to increase sales and obtain additional capital includes several specific actions. On the sales side, greater emphasis will be placed on systems, web development and services as these areas have higher profit margins and represent a market which is growing much more rapidly than the company's traditional contract services. Management is also pursuing an aggressive acquisition strategy which is expected to add significantly to revenues and profits while strengthening the organization.

For capital sourcing, management will continue the private placement offerings of common and preferred stock, which during the period from January 1, 1999 through March 3, 1999 have raised $328,000. In addition, in April 1999 the Company completed a merger with CTE, a public shell. This merger was accounted for as a reverse merger.

No estimate has been made should management's plan be unsuccessful.

PART III

EXHIBITS

Exhibit Number	**Description**
1.1	Exchange Agreement among Intraco Systems, Inc., Custom Touch Electronics, Inc. and
1.2	Amended and Restated Certificate of Incorporation
1.3	Bylaws
2.1	Stock Option Plan
3.1	Employment Agreement between Intraco and Jack Berger
3.2	Employment Agreement between Intraco and Bob Marcus
3.3	Employment Agreement between Intraco and Carlos Munoz
4.1	Agreement for Professional Consulting Services between Intraco and Vestar Capital
5.1	Letter Agreement between Intraco and Digital Equipment Corporation

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.

INTRACO SYSTEMS, INC.

Date: August __, 1999   By: ____/s/ Jack S. Berger___
Jack S. Berger, President

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

FORM 10-QSB

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

For the quarterly period ended September 30, 1999 Commission file Number 0-027073

INTRACO SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

65-0180519
(IRS Employer Identification Number)

3998 FAU Blvd., Suite 210, Boca Raton, Florida 33431
(Address of principal executive offices)

(561) 367-0600
Registrant's telephone number, including area code:

____
(Former name or address if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all documents and reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 _______No ___X___

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

Check whether the registrant filed all documents and reports required to be filed by Section 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

On September 30, 1999, the Registrant had outstanding 13,020,989 shares of common stock, $.001 par value and 763,500 shares of class A preferred stock, par value $.001.

INTRACO SYSTEMS, INC.

INDEX TO THE FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 1999

INTRACO SYSTEMS, INC.
CONDENSED BALANCE SHEET
SEPTEMBER 30, 1999
(UNAUDITED)

ASSETS

Current assets:	
Cash	$ 4,103
Accounts receivable, net	185,975
Inventory	29,941
Interest receivable	25,208
Prepaid expenses	44,921
Total current assets	290,148
Property and equipment, net:	199,449
Other assets:	
Note receivable - related party	48,096
Goodwill, net	89,438
Deposits	18,064
Total other assets	155,598
Total assets	$ 645,195

See accompanying notes to condensed financial statements.

INTRACO SYSTEMS, INC.
CONDENSED BALANCE SHEET
SEPTEMBER 30, 1999
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:	
Accounts payable	$ 776,552
Deferred revenue	127,257
Accrued expenses	43,656
Customer deposits	20,022
Note payable	221,061
Total current liabilities	1,188,548
Stockholders' deficit:	
Convertible redeemable preferred stock, $.001 par value, 10,000,000 shares authorized and 763,500 shares issued and outstanding, 7% cumulative, with a $1.00 per share preference value	764
Common stock, $.001 par value 100,000,000 shares authorized, 13,020,989 shares issued and outstanding	13,020
Additional paid-in capital	1,343,304
Subscription receivable	(446,300)
Accumulated deficit	(1,454,141)
Total stockholders' deficit	(543,353)
Total liabilities and stockholders' deficit	$ 645,195

See accompanying notes to condensed financial statements

INTRACO SYSTEMS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended September 30,		For the nine months ended September 30,	
	1999	1998	1999	1998
Revenues:				
Systems/networks	$ 209,726	$ 267,359	$ 1,597,149	$ 914,096
Service contracts	114,030	599,379	426,078	1,344,327
Total revenues	323,756	866,738	2,023,227	2,258,423
Cost of Revenues:				
Systems/networks	178,864	116,289	1,201,129	447,251
Service contracts	38,855	454,818	246,346	999,168
Total cost of revenues	217,719	571,107	1,447,475	1,446,419
Gross profit	106,037	295,631	575,752	812,004
General and administrative	619,841	336,303	1,381,038	787,337
Income (loss) from operations	(513,804)	(40,672)	(805,286)	24,667
Interest income	8,487	142	27,647	880
Interest expense	(12,753)	(7,495)	(31,094)	(27,721)
Loss before income taxes	(518,070)	(48,025)	(808,733)	(2,174)
Provision (benefit) for income taxes	-	-	-	-
Net loss	$ (518,070)	$ (48,025)	$ (808,733)	$ (2,174)
Net loss per share (basic & diluted)	$ (0.04)	$ (0.01)	$ (0.07)	$ (0.01)
Weighted average number of shares outstanding and to be issued	11,830,739	9,000,000	11,830,739	9,000,000

See accompanying notes to condensed financial statements

INTRACO SYSTEMS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended September 30,	
	1999	1998
Cash flows from operating activities:		
Net cash used by operating activities	(407,946)	(200,760)
Cash flows from investing activities:		
Purchase of property and equipment	(97,118)	(15,483)
Cash flows from financing activities:		
Proceeds from issuance of common stock	458,717	-
Proceeds from issuance of preferred stock	711,000	-
Costs associated with issuance of stock	(212,199)	
Dividends paid	(1,092)	-
Repayment of long-term debt	(196,351)	(32,150)
Costs associated with recapitalization	(283,153)	-
Cash flows from financing activities	476,922	(32,150)
Net decrease in cash	(28,142)	(248,393)
Cash at beginning of year	32,245	255,034
Cash at end of year	$ 4,103	$ 6,641
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest paid	$ 31,094	$ -
Non-cash transactions affecting investing activities:		
Property and equipment acquired in acquisition	$ 6,000	$ -
Non-cash transactions affecting financing activities:		
Conversion of shareholder note into common stock	$ -	$ 17,850
Conversion of accounts payable to note payable	$ -	$ 438,906
Common stock issued for note	$ 446,300	$ -
Issuance of common stock for acquisition	$ 90,000	$ -

See accompanying notes to condensed financial statements.

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation of the results for the interim periods presented have been included.

These results have been determined on the basis of generally accepted accounting principles and practices applied consistently with those used in the preparation of the Company's audited Financial Statements for the year ended December 31, 1998. Operating results for the nine months ended September 30, 1999, are not necessarily indicative of the results that may be expected for the year ending December 31, 1999.

It is recommended that the accompanying condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Form 10SB.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 1999
Leasehold improvements	$ 51,971
Equipment	212,391
Furniture and fixtures	22,995
Total property and equipment	287,357
Less: accumulated depreciation	(87,908)
Property and equipment, net	$ 199,449

Depreciation expense for the nine months ended September 30, 1999 was $16,746.

NOTE 3 – RELATED PARTY TRANSACTIONS

The company is affiliated with various companies through common ownership. During the period ended September 30, 1999, the Company had the following transactions with a related party (Intraco, Ltd.):

	September 30, 1999
Note receivable - related party - beginning	$ 123,059
Cash received	(74,963)
(Due in 36 monthly installments, with an interest rate of 6%)	
Note receivable - related party - end	$ 48,096

NOTE 4 – STOCKHOLDERS' DEFICIT

In August and in November 1998, the Company amended and restated the Articles of Incorporation. The Company increased the aggregate number of shares to 60,000,000, consisting of 50,000,000 shares of common stock, par value $.001 per share, and 10,000,000 shares of preferred stock, par value $.001 per share, 7% cumulative dividend, payable quarterly starting February 1, 1999. The preferred stock is redeemable at any time at the option of the company at $1.00 per share. Five years from the date of issuance or 180 days after the effective date of the Company's initial public offering, the holders of at least 51% of the Series A preferred stock will have one demand registration right. The Company will be contractually required to use its best efforts to file a registration statement and to have such registration statement become effective.

In November 1998, the Company commenced a Regulation D 504 stock offering and as a result of the offering, the Company issued 665,200 shares of common stock for $166,300, or $.25 per share. Also in November 1998, the Company began a preferred stock offering, and as a result of the offering, the Company issued 763,500 shares of preferred stock, of which 183,000 shares were issued under Regulation D 506, and 580,500 under Regulation S, at $1.00 per share, which totals $763,500. Costs incurred associated with these offerings totaled $212,000. The Company is continuing the offering of preferred stock.

Holders have the right to convert the Series A preferred stock, in whole or in part, at any time, or from time to time, into the common stock, par value $0.001, of the Company. The initial conversion rate shall be on a one-to-one basis, and shall be subject to proportional stock splits, stock dividends and reverse stock splits, and to standard weighted average price-based anti-dilution provisions as well as specific anti-dilution provisions with respect to any future series of preferred stock.

In March 1999, the Company sold 866,300 shares of $.001 par value common stock to an investment company at $1.00 per share for an interest bearing note. At September 30, 1999, the Company held $446,300 of this note from the investment company.

In April 1999, CTE, a public shell, acquired all of the outstanding common stock of the Company. For accounting purposes, the acquisition has been treated as an acquisition of CTE by the Company and as a recapitalization of the company. As a result of the recapitalization, the Company is now authorized to issue 100,000,000 shares of common stock.

PART I

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

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The following discussion regarding the Company and its business and operations contains "forward-looking statements" within the meaning of Private Securities Litigation Reform Act 1995. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements, including no history of profitable operations, competition, risks related to acquisitions, difficulties in managing growth, dependence on key personnel and other factors discussed under "Factors That May Affect Future Results" in the Company's Form 10SB. The Company does not have a policy of updating or revising forward-looking statements and thus it should not be assumed that silence by management over time means that actual events are bearing out as estimated in such forward looking statements.

The following discussion and analysis should be read in conjunction with the financial statements appearing as Item 1 to this Report. These financial statements reflect the operations of Intraco Systems, Inc. (the "Company") for the quarter and nine month periods ended September 30, 1999 and 1998.

Results of Operations

General

The Company was incorporated in Florida in March 1990. In April 1999, Intraco completed an exchange agreement with Custom Touch Electronics, Inc. ("CTE"), a Nevada corporation with no material operations whose common stock traded on the OTC Bulletin Board, pursuant to which all outstanding shares of Intraco capital stock were exchanged for 10,531,500 CTE shares. The prior shareholders and promoters of CTE hold 2,429,489 shares and the Intraco shareholders at the time of the exchange hold 10,531,500 shares. As a result, Intraco Systems became a wholly-owned subsidiary of CTE and CTE changed its name to Intraco Systems, Inc. All references in this document to "Intraco" refer to the Nevada parent and the Florida subsidiary.

Intraco is a Communications Solution Provider ("CSP"), offering the integration of voice, data and Internet based technology solutions to a wide range of customers. Intraco offers complementary IT solutions to clients on a local and regional basis. Intraco's targeted customers include small and midsize companies in a wide range of industries including communications, health care, financial services, manufacturing, professional services and technology.

Intraco is currently seeking to execute an aggressive growth strategy which includes both internal (product, sales and marketing expansion) and external (mergers and acquisitions) strategies. Intraco is currently seeking to acquire companies in the Telecommunications, Internet Development and Network Systems Integration areas. Additionally, Intraco, through relationships it intends to establish with Motorola, Microsoft, Unisys and Phonetic Systems, will incorporate new products and technologies into its product offering including phone access to Internet websites and voice recognition driven auto-attendant products. During June 1999, Intraco completed the acquisition of Page Telecomputing Inc., a Delray Beach, FL-based developer of telemarketing and call center computer telephony and Voice-over-IP applications.

The acquisition is increasing Intraco's focus on computer telephony integration and allows it to best serve sales and marketing-oriented customers, such as insurance brokers, investment advisors, real estate agents, healthcare marketers and more who rely on intensive inbound and outbound phone activity. Page Telecomputing develops proprietary automated telemarketing software, including its Sales Call Software™, LINK™, Page Prospect!™ and SCRSLITE™ for telecommunications facilities, sales offices, customer support centers and more.

Results of Operations

Revenues for the quarter ending September 30, 1999 are down 62.6% from the same period in 1998. The Company has had a contract with Compaq Computer (previously Digital Equipment Corp.) for many years to resell support services. The profit margins on these contracts are below management's targets and therefore more Company resources are being directed toward developing businesses with higher profit margins and less emphasis is being placed on replacing those contracts that are not being renewed. The impact in the third quarter and nine month periods respectively were $438,529 and $871,450, accounting for most of the year-over-year shortfalls. The other major revenue source for the Company is the sale, installation and support of computer systems and networks. These sales tend to be one-time projects often of large dollar amount and, as a result, can contribute to significant quarterly swings. Although revenues are down $84,000 in the third quarter, this category is up $632,836 for the nine month period.

Gross profit margins are down for both the quarter and year-to-date periods. This reflects the margin pressure on hardware being experienced throughout the industry. The Company does not expect this situation to improve in its traditional product offerings and thus has begun migrating into related technological areas in which its expertise will allow it to begin offering products and services with substantially higher margins. Although there can be no assurances that this strategy will prove successful, management believes it is necessary for the Company's long term viability.

General and administrative expenses for the quarter and nine month period are up $283,538 (84.3%) and $593,701 (75.4%) respectively. Most of the increase is in salaries, facilities, and the decision to aggressively pursue an acquisition strategy. Although there can be no assurance that these investments will result in increased revenues or profits, management believes they are necessary for the Company's long term financial health.

Liquidity and Capital Resources

The Company has incurred significant losses and has substantial negative cash flow from operations. The Company's independent auditors have included a footnote in their annual report for the year ended December 31, 1998, which expresses concern about the Company's ability to continue as a going concern unless sales increase and/or additional investment capital is raised. The Company expects significant operating losses to continue in 1999 and at least during the first half of 2000. The Company is currently offering its preferred stock and has received approximately $450,000 through November 1, 1999. The Company will require additional funding to cover current operations, which require approximately $200,000 per month at current levels of sales, until revenues from operations are sufficient. There can be no assurance that additional funds will be raised through this offering or otherwise.

The Company's current assets are $290,148 and current liabilities, $1,188,548 resulting in a negative current ratio. For the Company to continue to meet its current obligations it will have to secure additional capital. Management is aggressively seeking additional investment capital, both for working capital (current obligations) as well as to finance its growth and acquisition strategy. Although there can be no assurance that management will be successful in securing the needed capital, management is in discussion with potential investors and is optimistic that additional funding will be available.

The Company had $4,103 of cash on hand at September 30, 1999, versus $32,245 at the beginning of

1999. Net cash used in o‸ ations for the period ending September 30, ‸99, was $407,946. This deficit was funded by the sale of common and preferred stock. The Company also repaid $196,351 of debt and incurred costs of $283,153 recapitalizing and merging with CTE.

The Company intends to pursue expansion and acquisition plans, which may include the opening of additional facilities, both domestically and internationally, as well as the acquisition of additional facilities and/or companies. The success and timing of any such plans and required capital expenditures are unpredictable and the Company has no current arrangements with respect to any such acquisition. Funding for such plans could be a combination of issuance of additional equity, additional borrowings and profits from operations. The Company cannot make any assurances that such funding would become available for such plans. Also, because the Company is operating at a loss, it will need to secure additional funding to continue existing operations. No assurance can be made that such funding will be forthcoming and if forthcoming, be available at reasonable rates.

Year 2000 Readiness Disclosure Statements. Historically, many computer programs have been written using two digits rather than four to define the applicable year. This could lead, in many cases, to a computer recognizing a date ending in "00" as 1900 rather than the year 2000. This phenomenon could result in major computer system failures or miscalculations, and is generally referred to as the "Year 2000" problem.

Intraco is currently in the process of assessing its exposure to the Year 2000 problem and will establish a detailed response to any exposure that may be identified. Generally, Intraco has Year 2000 exposure in three areas: (1) Information Technology ("IT") Related Systems--financial and management computerized operating systems used to manage Intraco's business; (2) Non-IT Related Systems-- equipment with "embedded chips" used by Intraco, including telephone and building security systems; and (3) Third Parties--computer systems used by third parties, in particular customers and suppliers of Intraco.

Although Intraco, based on its analysis to date, does not believe that it will incur any material costs or experience material disruptions in its business, related to the Year 2000 problem, there can be no assurances that Intraco or its third parties, customers or suppliers will successfully become Year 2000 compliant on a timely basis and thus will not experience serious unanticipated negative consequences or material costs. Undetected errors or defects in the technology used for Intraco's systems, which include hardware and software, and defects in the systems of Intraco's third parties, could cause these consequences. The most likely worst case scenario would include hardware failure, software failure resulting in an inability to receive orders from customers or shipments from suppliers or to bill customers and pay suppliers, and failure of infrastructure services provided by third parties (such as phone systems and building security systems).

PART II – OTHER INFORMATION

Item 1. Legal Proceedings
None

Item 2. Changes in Securities
None during the current quarter. In October 1999 the Company sold 455,600 shares of convertible Series B, preferred stock, par value $.001, preference value $1.00 for gross proceeds of $454,350. Each share of Series B Preferred Stock is convertible into 1 share of common stock, par value $.001. The shares are callable by the Company. The sale of Series B Preferred Stock was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as a transaction not involving a public offering.

Item 3. Defaults from senior securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
In October 1999, the Company hired a new CEO, Walt Nawrocki, and a new Director of Marketing, David May. In November 1999, the Company hired a new Vice President of Sales, Philip Sencer and a new Internet business unit manager, Jonathan Cosci.

Item 6. Exhibits and Reports on Form 8-K
(a) Exhibits required by Item 601 of Regulation S-B – none
(b) None

SIGNATURES

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

INTRACO SYSTEMS, INC.

Dated: November 12, 1999 By: Jack Berger N/S

Jack Berger President

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

FORM 10-KSB

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

For the year ended December 31, 1999

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

For the transition period from __________ to __________

Commission file number

Intraco Systems, Inc.

(Name of Small Business issuer in its charter)

Nevada (State or Other Jurisdiction of Incorporation or Organization)	87-0381511 (I.R.S. Employer Identification Number)
3998 FAU Boulevard Boca Raton, Florida (Address of Principal Executive Offices)	33431 (Zip Code)

Issuer's Telephone Number, Including Area Code: (561) 367-0600

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No _

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: $2,925,268.

The aggregate market value of the issuer's Common Stock, $.01 par value, held by non-affiliates on March 28, 2000 was approximately $57,735,000.

As of March 28, 2000, there were 18,169,969 shares of the issuer's Common Stock, $.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

FORWARD-LOOKING STATEMENTS

Intraco Systems, Inc. ("Intraco") cautions readers that certain important factors may affect Intraco's actual results and could cause such results to differ materially from any forward-looking statements which may be deemed to have been made in this Report or which are otherwise made by or on behalf of Intraco. For this purpose, any statements contained in this Report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue" or the negative other variations thereof or comparable terminology are intended to identify forward-looking statements. Factors which may affect Intraco's results include, but are not limited to, dependence on sources of inventories, dependence on the resale market for unsold goods, dependence on charitable donations and a limited number of charities, reliance on management, changes in trends in buyer preferences, competition with other retail sources, general economic conditions and seasonality of the population in Intraco's market areas. Intraco is also subject to other risks detailed herein or detailed from time to time in Intraco's filings with the Securities and Exchange Commission.

PART I

Item 1. Description of Business

Overview

Intraco is a leading application service provider or ASP and integrator of speech recognition based products and services. Intraco's competitive advantage lies in its unique ability to combine extensive in-house expertise with leading speech recognition technologies (i.e. voice browsers, natural language engines) to create first-to-market, comprehensive commercial solutions. Intraco plans to deliver these high value, high margin advanced technology solutions, on a business-to-business or B2B basis, to small- and mid-sized businesses such as Websites/e-commerce companies and catalog-based retailers and larger businesses such as telecommunications companies. Ultimately, these solutions will voice enable a wide range of applications such as Websites, e-commerce, catalog ordering, auctioning, paging, e-mail and unified messaging.

Due to the emergence of the Internet, especially relating to the B2B marketplace and the subsequent expansion of the ASP business model, a large market opportunity for Intraco's solutions exists. According to Forrester Research, the B2B Internet market is anticipated to grow from $109 billion in 1999 to $1.3 trillion in 2003, representing a compounded annual growth rate of approximately 87%. Additionally, the B2B market is estimated to be more than 12 times the size of the B2C market in 2003. According to International Data Corporation and Dataquest, the ASP market has been estimated to be $4.5 billion for pure ASP revenue and $22 billion for ASP and integration revenue in 2003. As a leader in the speech recognition market, Intraco is well positioned to capture substantial market share as companies become increasingly familiar with and recognize the need for advanced speech recognition technologies which are most easily deployed on an ASP basis.

Intraco currently offers several suites of comprehensive commercial solutions for speech recognition based products and services designed to utilize the Internet and telecommunications applications. These first-to-market solutions include:

- Voice ASP: the voice enablement of Websites, which will be offered on an ASP basis;
- Virtual Office ASP: telephony solutions including basic telephony services, unified messaging and voice driven e-mail facilitation, which will also be offered on an ASP basis; and
- Computer Telephony Integration: the provisioning of advanced voice activated auto-attendants and other related services.

Intraco has been able to create these first-to-market commercial solutions based upon several advantages. Intraco has extensive knowledge of the voice recognition industry. Intraco's Chief Executive Officer, Walt Nawrocki, spent over 30 years with IBM pioneering new technologies where he was ultimately responsible for the creation and ongoing management of their speech recognition business. Subsequent to IBM, Mr. Nawrocki founded and served as Chief Executive Officer and President of Registry Magic Inc. where he established the Virtual Operator as the industry standard for speech driven auto attendants. Intraco's extensive knowledge of the voice recognition industry also gives Intraco the ability to identify which vendors supply the most advanced and effective technological components. Intraco's relationships with these vendors, which include Motorola, Nuance and Unisys, have allowed it to forge long-term working agreements in the form of joint ventures and licensing agreements. As a result, Intraco is able to leverage off of the significant investments (hundreds of millions of dollars) already made by these outside firms. Finally, Intraco's infrastructure is that of a systems integrator, thus allowing it to utilize proprietary middleware technology that integrates a multitude of disparate technologies into one cohesive solution. Intraco also has a leading team of engineers with the in-house expertise to install and service both the hardware and software components of this solution as well as a dedicated sales force already in place to sell the products.

Intraco intends to sell its products and services on an ASP basis primarily through major national network service providers such as UUNET, Intermedia Communications, Cable and Wireless, Level3 Communications and Verio and portals which cater to small- and mid-sized businesses. In both cases, the focus is on distributors instead of end-users. Within the framework of a traditional B2B model, Intraco does not intend to service individual consumers but instead is targeting other business customers through the network service providers and portals. According to Forrester Research, the B2B model will remain the most viable method to capture the rapidly growing eCommerce market. Intraco intends to pursue these customers by utilizing a sales team that has well over 150 years of combined experience in the technology industry. Most importantly, the sales force possesses the ability to understand existing and new technologies as well as the ability to determine how to create and deliver value from integrating various technologies. Additionally, Intraco's strategic relationships provide it with proven marketing partners, with a history of successful hi-tech products and services. Intraco's partners have fully committed their resources as their success depends on Intraco's ability to integrate each piece into a marketable product solution.

The recent emergence of the Internet has stimulated the public's desire for instant information. With over 150 million people currently linked by computer to the Internet, the market for sellers of information and eCommerce services is tremendous. By voice enabling Websites, this market could potentially grow ten times larger by allowing the world's 1.5 billion telephone users to voice access the same information. The primary demand driver is that speech recognition technology has vastly improved, specifically with the introduction of natural language engines, which incorporate "human factors" technology. Previous products were often viewed as rigid, allowing users to get easily "lost" in the technology. However, as a result of these advancements, a greater acceptance of speech recognition technologies has emerged, which could lead to the rapid growth of this cutting edge industry.

The Intraco Solution

Intraco is a leading provider and integrator of speech recognition based products and services that are designed to utilize the Internet and standard telecommunications applications. The key components of the Intraco solution include:

- **First-to-Market.** Intraco believes it has a substantial head start in the development of language and speech recognition products and services. Due to its relationships with firms that have been instrumental in the development of critical speech recognition products such as Microsoft, Motorola, Nuance and Unisys, Intraco has had special access and in some cases has helped develop the critical software components which Intraco uses in its speech recognition solutions. For example, Intraco is the only speech recognition based applications vendor to possess demonstrated expertise in both Microsoft's and Motorola's voice browser technologies. These relationships, combined with Intraco's ability to integrate the critical software using its proprietary technology, has enabled Intraco to produce superior, first-to-market, commercially viable solutions, with little competition.

- **Agreements and Strategic Relationships.** Intraco has developed critical relationships with companies such as Motorola, Microsoft, Emergin, Nuance and Unisys, which have provided Intraco with access to cutting-edge speech recognition and other technologies. Each of these firms has expended significant amounts of resources developing these cutting-edge components, such as voice browsers and natural language engines, but lacks the ability to integrate these disparate pieces of software into a robust set of products and services that can be delivered to the end user. Intraco has unparalleled access to these products due to Intraco's expertise in the speech recognition sector and because Intraco is currently the only firm which can integrate these different applications into a commercially viable product.

  Intraco has recently signed the following agreements:

  (i) *Motorola:* Definitive agreement for the joint marketing of Motorola's VoxML Language Software, enabling voice access to the Internet, using Intraco's Voice-Web service bureau capability.

  (ii) *Unisys:* Letter of intent for the joint marketing of Unisys' Natural Language Engine as it pertains to Intraco's voice enabling capabilities.

  (iii) *Emergin:* Letter of intent for a strategic relationship for the integration of Emergin's paging software and services and Intraco's speech recognition technologies.

- **Technological Expertise.** Intraco has extensive experience in speech recognition technology as well as programming and software integration. This experience allows Intraco to effectively create integrated technologies and quickly bring them to market. Intraco has the ability to identify which vendors supply the most advanced and effective technological components. Additionally, Intraco has significant systems integration experience which, when combined with its proprietary middleware technology, allows Intraco to integrate the most advanced and effective technological components into one cohesive solution. Intraco also has a leading team of engineers with the in-house expertise to install and service both the hardware and software components.

- **Management Expertise.** Intraco's management team brings a highly qualified and diverse background with extensive experience in identifying and applying leading edge technology. Intraco intends to leverage its existing corporate infrastructure, specifically its integration expertise, to position Intraco to aggressively address these new opportunities and become a market leader for speech recognition based products and services that are designed to utilize the Internet and standard telecommunications applications. This effort is spearheaded by Mr. Nawrocki who previously was the Chief Executive Officer and founder of RMI, a company specializing in the development and integration of voice automation technologies. Prior to RMI, Mr. Nawrocki spent over 30 years with IBM where he became Manager for Worldwide Product Development and Business Management overseeing a number of business areas, including speech recognition products, and was responsible for acquisitions, joint development and OEM licensing programs.

- **Products Work Today.** Intraco currently has fully operational prototypes of their speech recognition solutions with some of these prototypes in the client evaluation phase. By leveraging its existing programming infrastructure and its speech recognition expertise, Intraco believes it is the first to offer commercially viable speech recognition solutions for the use in Internet applications. As such, Intraco is well positioned to capture substantial market share as companies become increasingly familiar with, and realize the need for, advanced speech recognition technologies.

Industry Overview

Intraco provides a suite of solutions, on an ASP basis, which take advantage of the convergence of speech recognition technologies and the Internet.

Speech Recognition Technologies

While various types of speech recognition technologies have existed for several years and the number of commercially available speech enabled products continues to grow, until recently, speech recognition products have been technologically deficient and costly, thereby limiting widespread acceptance.

Historically, emphasis in the speech recognition industry was placed on the development of core speech recognition engine technology, a set of algorithms that interpret speech patterns. Many companies, including Lernout & Hauspie, IBM, Dragon Systems, Voice Control Systems, Nuance, Nortel, SpeechWorks and Lucent, have spent vast sums of money over the last quarter century in developing core speech recognition engine technology for the telephone. The skill set required to develop speech recognition engine technologies include speech algorithms, statistics, digital signal processing algorithms, digital signal processing programming, phonetics, linguistics, information theory and coding theory. For the most part, these speech recognition engine manufacturers have relegated the development of commercial speech applications to others.

As new technologies emerge in the marketplace, their accessibility and simplicity of operation has a direct effect on their frequency of use and market acceptance. The advent of the Internet combined with recent advances in speech recognition technology has provided both the accessibility and simplicity to increase the popularity of speech recognition products. As of a few years ago, the integration of speech recognition within a call center environment required extensive systems integration expertise, money and time. Now, with the advent of new mark up languages, the ability to turn Websites into speech-driven call centers can be achieved with the right speech recognition and Internet development skills.

Speech is the most natural, efficient and simple means of human communication. With the increase in the power and capability of speech recognition engine technologies and the increase in speed and reduction in the cost of computer processors, the integration of human speech as an interface to the Internet via a telephone is now feasible.

Growth of the Internet

Internet usage and online commerce continue to grow worldwide. IDC estimates that there were 142 million Web users worldwide at the end of 1998. IDC anticipates that number will grow to approximately 502 million users by the end of 2003. IDC also estimates that revenue generated worldwide from online commerce will grow from $50 billion in 1998 to exceed $1.3 trillion by 2003.

Application Service Provider Market

ASPs are service-oriented firms that provide contractual service, offering to deploy, host, manage and enhance what is usually packaged application software from a centrally managed facility. The roots of the ASP model can be found in the Server Based Computing ("SBC") market, which grew in the last four years to bring single point technology management solutions to businesses of all sizes in all industries.

The ASP provides services remotely, either online, over the Internet and/or over dedicated telecommunication bandwidth. Unlike the SBC industry, the ASP hosts the software, builds and maintains the network servers necessary to store and run the software application, provides the infrastructure necessary to deliver the software application directly to the user's desktop, and provides the necessary IT staff to implement upgrades and provide support and maintenance functions. The ASP takes all administrative and technical responsibilities from the client company, thereby further cutting costs from the SBC model. Clients can utilize leading applications without the cost and the burden of owning the leading business software applications.

According to IDC, the definition of an ASP includes the following characteristics:

1. *Application centric.* ASPs provide access to, and management of, an application that is commercially available. This service is different from business process outsourcing (BPO), where the outsourcing contract encompasses the management of entire business processes such as human resources or finance.

2. *Selling" application access.* ASP services offer customers access to a new application environment without making up-front investments in the application licenses, servers, people and other resources. The ASP either owns the software or has a contractual agreement with the software vendor to license access to the software.

3. *Centrally managed.* ASP services are managed from a central location rather than at each customer's site. Customers access applications remotely, such as over the Internet or via leased lines.

4. *One-to-many service.* ASP services are designed to be one-to-many offerings. The ASP partners with other vendors to package standardized offerings (providing for minimal or no customization) that many companies will subscribe to over a specific contract period.

5. *Delivering on the contract.* The ASP is the firm that is responsible, in the customer's eyes, for delivering on the customer contract, ensuring that the application service is provided as promised.

The ASP industry is ideally suited for small- to mid-sized businesses. Unable to afford the huge fixed costs of network servers and IT staff to support them, small- and mid-sized businesses can turn to an ASP to take care of the responsibility, financial and staffing aspects. They pay a flat rate per user per month and are equipped with the latest and most sophisticated software applications that otherwise may be economically unfeasible. The ASP model is also easily scaleable and adaptable to the growth of the business it supports. With the help of ASPs, small- to mid-sized businesses will be able to better compete with their larger competitors.

The ASP industry has many strengths that could make it very successful with resellers. First, more customers than ever have remote and/or mobile workgroups with specific functions that are more easily automated using Internet technologies. Second, the increasing costs of IT are making outsourcing a popular alternative. Third, the privacy of networks is much more secure using an ASP server than individual in-house servers. Finally, large vendors such as Oracle (which has set up a $100 million fund) have shown great confidence in fledgling ASPs. The ASP industry offers products and services that provide recurring revenue streams to resellers, a rarity for VARs.

According to IDC, the number of customers of high-end ASPs (companies that provide hosting services for discrete applications) is expected to double or triple in the next few years as they become more familiar with the benefits of the ASP model and more confident in its reliability. According to IDC and Dataquest, the ASP market has been estimated to be $4.5 billion for pure ASP revenue and $22 billion for ASP and integration revenue in 2003.

Today the area of computer telephony and voice technologies in general are becoming increasingly important for small- and mid-size businesses to embrace in order to survive and to successfully compete in their respective industries. At the same time the demand for these integrated solutions is growing rapidly, they are also becoming increasing complex to design, implement and support, thereby further helping to justify the outsourcing of the implementation and support of these solutions.

Technology

The driving force behind Intraco's vision and technology is the telephone, which should remain the preferred means of communication for the foreseeable future. Statistically, there are ten times as many telephones as Web browsers, and phones, especially cell phones, are much more convenient to use. Via voice and speech recognition technologies, users will be able to communicate by simply speaking, without having to press keys, talk to an operator or agent (unless desired) or use a visually based Web browser. The communication will be completely automated and interactive, allowing for the ease and practicality of voice recognition without sacrificing the functionality of traditional services.

Intraco's technology enables individuals to access the Internet using a phone. Being collocated at the ISP hosting the Website, database access to the visual Website multimedia is not delayed through "thin" or "traffic choked" "pipes" or router hop delays. This provides many advantages to the voice based Web access scenario. One example is audio files playback (e.g. – music clips, recorded news interviews, audio books). Playback is in the client server at the ISP where the audio media is located. Subsequently, there is no need for download across the slow network, no need to maintain continually outdated media players and no need for expensive higher bandwidth network access lines (i.e. ISDN, ADSL). This provides high performance and simple and low cost access.

The infrastructure, typically rack mounted, has multiple voice circuit trunks lines coming in from the local exchange carriers central office. This receives the incoming calls and can originate outgoing calls (e.g. - event alerts). The software functions are:

(i) Voice Browser – this is the "voice gateway" through which the computer based conversation is managed.

(ii) Authentication, billing and accounting – to track all system usage from which bills are created.

(iii) Voice recognition – to recognize and interpret your responses to prompts.

(iv) TTS (Text-to-Speech) – a next generation variety to playback text based information retrieved from the network in response to your commands.

The underlying technology that powers this capability was developed by firms such as Microsoft, Motorola, Nuance and Unisys, all having been instrumental in the development of speech recognition software. For example, Motorola and Microsoft each offers their own proprietary voice browser software enabling voice access to the Web. Companies such as Unisys and Nuance provide an extremely proficient natural language engine. Each of these firms offers important technology components of the overall solutions but lacks the overall expertise to integrate these pieces. Intraco has recognized this opportunity and as an early adopter and leader in this technology, intends to leverage its strategic relationships and apply its extensive technological expertise to integrate each separate capability into a single product solution.

Service Offerings

In a very competitive global marketplace, businesses must focus on their core competencies and outsource non-strategic areas. Intraco's ASP model allows businesses to outsource certain information technology needs by allowing Intraco to provide the most advanced fundamental building blocks for small- to mid-size companies. Initially, Intraco will build an infrastructure of hardware and software to focus on the basic technology requirements of a business: Web services, phone services, messaging and networks. This offering is unique in the ASP market because almost all other ASPs are offering desktop or vertical applications.

Voice ASP

The explosion of the Internet, especially the B2B market, along with the expansion of the ASP market has led to the rapid expansion of the number of commercial Websites and the hosting/co-location data centers that serve the Websites. Through the Voice ASP suite of services, Intraco will provide a solution which will provide speech and voice recognition services to these Websites on an ASP basis through network service providers ("NSPs") such as Verio and Exodus Communications which host the Websites. These NSPs can incorporate Intraco's Voice ASP capabilities with their own value added services which they provide to Websites in addition to the standard Web hosting services. Intraco will also offer their Voice ASP services to B2B portals, which will subsequently offer the Voice ASP service as part of their standard service offerings. Additionally, Intraco plans to provide this new service themselves by hosting a mirrored site for customers or scripting and maintaining the voice enabled Website either on the customer's premise or at an Intraco site.

Within the Voice ASP service line, Intraco intends to focus on three categories of products. The first is voice information that would enable a user to call into a Website and have specific information read to them over the telephone. For example, a traveling sales executive can access his company's Website from a cell phone and get order status or pricing information for his next customer call. The second product is voice commerce, which would enable a user with a traditional paper catalog to call a retailer's Website from a standard telephone and order products without involving a person in the transaction unless there is a need to do so. Not only does speech recognition provide increased convenience for the end consumer but also allows businesses to expand its distribution channels by providing customers Website access via standard telephones from anywhere on earth. This capability substantially reduces "missed or dropped" calls due to hold times and busy signals while simultaneously reducing personnel costs. The last product that stems from the voice browser is voice alerts. This product will be utilized to provide information alerts for a variety of users. One potential area which Intraco intends to target is construction and machinery auction sites. As these users are typically onsite, without computer access, they must be able to quickly react to pending contracts or competitors' bids. This automated process would allow users, via cell phones, to not only receive real time alerts and critical information but respond as well.

Virtual Office ASP

With the Virtual Office ASP suite, Intraco is offering the basic building blocks for a business' telecommunications needs. Amongst the basic services offered will be: voice enabled e-mail, a service which allows a person to access their e-mail and have it read to them over the phone; unified messaging services including fax, e-mail and voicemail to a single voice-enabled message box and global follow-me/find-me; and basic telephony services such as call waiting and forwarding. This product offering will be extremely useful to a small- to mid-sized company that does not want to expend resources to hire operators and/or secretaries. Instead, a start-up can portray a hi-tech image by subscribing to these services, which provides them with voice enabled professional call center abilities. Intraco intends to expand its suite of service offerings through partnerships with providers of other applications typically needed by a business. Intraco intends to offer these services through B2B portals.

CTI and Other

Intraco's CTI unit will continue offering speech recognition products that function as automated call centers or auto attendants. Callers, by stating the name of the person or department they are trying to reach, will be connected without human intervention. An auto attendant can handle multiple calls simultaneously without putting callers on hold; and works 24 hours a day, 365 days per year allowing access to people or their voicemail at any time. The product line can be delivered in English as well as most of the major non-U.S. languages.

While at RMI, Walt Nawrocki, the Chief Executive Officer of Intraco, developed the best selling auto attendant product with the largest distribution network in the speech recognition industry with large corporate customers such as Merrill Lynch and Morgan Stanley Dean Witter. Intraco will leverage Mr. Nawrocki's strategic technology relationships and grow this product line into a solution many larger corporations could incorporate in their businesses.

Sales and Marketing

Intraco's strategy is to focus its sales efforts on the large and growing B2B e-commerce market. Within the B2B model framework, Intraco intends to focus its sales and marketing efforts on the small- and mid-size business market sector in the U.S. Intraco will specifically rely on indirect marketing by utilizing established distribution channels, which ultimately offer Intraco's integrated products and services to end users. Intraco will also generate additional sales leads by utilizing its own sales staff and by leveraging off of its joint marketing agreements.

Through its strategic agreements, Intraco has built solid relationships with many of the industry's leading technology companies, including Motorola, Microsoft, Emergin, Nuance and Unisys. Intraco's partners are fully committed to the success of Intraco's speech recognition and voice enabling products and should provide a significant source of leads for Intraco, augment technical sales expertise, and offer superb name recognition for marketing events and programs.

The current sales management team at Intraco Systems has well over 100 years of combined experience in the technology industry, providing a strong ability to understand existing and new technologies as well as the ability to determine how to create and deliver value from integrating various technologies.

The marketing group also intends to promote Intraco as a leading provider of voice enabled services through an on-going public relations program including trade shows, professional seminars and other promotional venues.

Competition

The new and rapidly changing ASP market is comprised of as many as 200 individual ASPs. In the near future however, analysts do not expect a great deal of head-to-head competition amongst ASPs in the small- and mid-sized business market. The speech recognition for Internet applications sector is even further in its infancy. This becomes a tremendous advantage for Intraco as they are the only speech recognition based applications vendor to have application development expertise for both Microsoft's and Motorola's products. By combining this technology with their own in-house expertise, Intraco maintains a unique advantage over any current competitor or potential market entrant.

Considering the extensive experience and advanced technology required to successfully penetrate this market segment, barriers to entry are relatively high. Current and new competitors do not have the ability to offer comparable products and/or services without significant speech recognition and systems integration expertise. As a result, Intraco's current corporate and engineering infrastructure has provided a substantial time-to-market advantage.

Intraco could potentially compete with a variety of competitors, including:

- Voice enabling companies (primarily Websites) - Tellme Networks, @Motion and Online Anywhere (recently acquired by Yahoo! Inc.);
- Virtual assistant companies - General Magic, Wildfire Communications and Webley Systems. These companies are developing applications for interactive response and voice verification for the Internet;
- Communication services providers - AccessLine Technologies, Call Sciences and Intellivoice Communications; and
- Large manufacturers and developers - Motorola, Microsoft, IBM and Lucent Technologies, all of which have significantly greater financial, technical and marketing resources but lack the expertise

to integrate each of the components into a single source commercial solution.

- Intraco believes the principal competitive factors in this segment of the industry include:
- Scope of services;
- Service delivery approach;
- Technical and industry expertise;
- Perceived value;
- Objectivity; and
- Results orientation.

Intellectual Property

Intraco relies on a combination of nondisclosure and other contractual arrangements and trade secret, copyright, and trademark laws to protect proprietary rights and the proprietary rights of third parties. Intraco enters into confidentiality agreements with key employees, and limits the distribution of proprietary information.

Employees

As of March 20, 2000 Intraco had a total staff of 37 employees, comprised of 14 technical professionals, 15 sales and marketing personnel and 8 administrative personnel. No employees are represented by a labor union or subject to a collective bargaining agreement. Management believes that employee relations generally are good.

Intraco's success will depend in large part upon the ability to attract, retain and motivate highly-skilled employees. Qualified technical professionals are in great demand and are likely to remain a scarce resource for the foreseeable future. However, management believes that Intraco has been successful in its efforts to attract, develop and retain the high-quality professionals needed to support present operations and future growth. Although Intraco expects to continue to attract sufficient numbers of highly-skilled employees and to retain senior personnel for the foreseeable future, there can be no assurance that Intraco will be able to continue to do so.

Item 2. Description of Property

Intraco's corporate headquarters are located in approximately 6,800 square feet of leased office space in Boca Raton, Florida. The lease expires in October 2003 and provides for annual payments ranging from $84,060 in the first year to $98,431 in the fifth year. Intraco has two 5-year renewal options.

Item 3. Legal Proceedings

Banker's Leasing Association filed a suit against Intraco and Jack Berger in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida for breach of a Master Lease Agreement and personal guaranty related to computer equipment, software and services leased by Intraco for the amount of $71,608. Intraco has filed a counterclaim based on Banker's failure to provide services agreed to in the lease and breach of fiduciary duty. Banker has answered Intraco's counterclaim and has now filed suit against AIM Solutions, Inc., as successor to Enterprises Solutions Group, Inc., the third party responsible for setting up the computer equipment and software and providing services. AIM has not responded to the claims against it.

Discovery has not yet commenced.

Item 4. <u>Submission of Matters to a Vote of Security Holders</u>

Item 5. <u>Market for Common Equity and Related Stockholder Matters</u>

Intraco's Common Stock is quoted on the OTC Bulletin Board under the symbol INSY. The following table sets forth the average of the high and low bid prices of the Intraco's Common Stock as reported on the OTC Bulletin Board for each quarter from April 29, 1999 through December 31, 1999. The quotations are over-the-market quotations and, accordingly, reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

	High Bid	Low Bid
1999		
April 29, 1999 through June 30, 1999	$7.75	$1.50
July 1, 1999 through September 30, 1999	2.25	1.75
October 1, 1999 through December 31, 1999	2.625	.875

On March 28, 2000, the closing bid price for the Common Stock as reported on the OTC Bulletin Board was $5.75. As of March 28, 2000, there were 441 holders of record of the Intraco's Common Stock.

The quotations in the foregoing table represent prices between dealers and do not include retail markup, markdown, or commissions paid and may not represent actual transactions. Such quotations are not necessarily representative of actual transactions or of the value of Intraco's securities.

Dividend Policy

Intraco paid aggregate dividends of $8,483 on its preferred stock in 1999. Intraco is obligated under an agreement with it series A preferred holders to pay dividends for the first twelve months regardless of earnings. The remaining obligation is approximately $26,000 which Intraco will pay in April 2000.

Intraco has not paid any cash dividends on its Common Stock since its inception. Intraco presently intends to retain future earnings, if any, to finance the expansion of its business and does not anticipate that any cash dividends will be paid in the foreseeable future. Future dividend policy will depend on Intraco's earnings, capital requirements, expansion plans, financial condition and other relevant factors.

Sales of Unregistered Securities

In March 1999, Intraco entered into an agreement with H&J Investments to buy 866,300 shares of common stock at $1.00 per share. H&J issued to Intraco a 12-month note in the principal amount of $866,300, of which $446,300 has been paid as of December 31, 1999 and March 30, 2000. The due date has been extended an additional year.

In 1998 and 1999 the Company sold 714,900 shares of convertible Series A, preferred stock, par value $.001, preference value $1.00 for gross proceeds of $714,900. Each share of Series A Preferred Stock is convertible into 1 share of common stock. The shares are callable by the Company. The sale of Series A Preferred Stock was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as a transaction not involving a public offering.

After completion of the Series A Preferred Stock offering in 1999, Intraco began a Series B Preferred Stock offering at $1.00 per share, and, issued 989,000 shares under Regulation S of preferred stock, for a total of $989,000. Each share of Series B Preferred Stock is convertible into 1 share of common stock, par value

$.001. The shares are callable by the Company. The sale of Series B Preferred Stock was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as a transaction not involving a public offering.

In June 1999, Intraco acquired the assets of Page Telecomputing and issued 60,000 shares of its common stock as consideration to Paul Baron

In 1999 the Company issued 2,429,489 shares of common stock as part of the merger with CTE.

In the first quarter of 2000, the Company sold 3,474,667 units for $4,805,799 net of cash fees to a total of 11 accredited investors. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock at $1.50. The sale of the units was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as a transaction not involving a public offering.

In the first quarter of 2000, the Company sold 160,000 shares of restricted common stock for $200,000 to one accredited investor. The sale was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as a transaction not involving a public offering.

In the first quarter of 2000, the Company issued 196,560 shares of restricted common stock as payment of fees.

Item 6. Management's Discussion and Analysis or Plan of Operations

The following discussion and analysis should be read in conjunction with Intraco's Consolidated Financial Statements and the Notes thereto included in Part II, Item 7 of this Report.

The following discussion regarding Intraco and its business and operations contains "forward-looking statements" within the meaning of Private Securities Litigation Reform Act 1995. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements, including the no history of profitable operations, competition, risks related to acquisitions, difficulties in managing growth, dependence on key personnel and other factors discussed under "Factors That May Affect Future Results" in this report. Intraco does not have a policy of updating or revising forward-looking statements and thus it should not be assumed that silence by management of the Intraco over time means that actual events are bearing out as estimated in such forward looking statements.

Results of Operations

Overview

Intraco is an integrator of advanced speech recognition technologies and believes it is well positioned to remain a leading provider of voice enabled solutions. Intraco's competitive advantage lies in its unique ability to combine extensive in-house expertise with leading speech recognition technologies (i.e. voice browsers, natural language engines) to create first-to-market, comprehensive commercial solutions. Intraco plans to deliver these high value, high margin advanced technology solutions to small- and mid-sized businesses such as Websites/e-commerce companies and catalog-based retailers and larger businesses such as telecommunications companies. Ultimately, these solutions will voice enable a wide range of applications such as Web sites, e-commerce, catalog ordering, auctioning, paging, e-mail and unified messaging.

Intraco is currently seeking to execute an aggressive growth strategy which includes both internal (product, sales and marketing expansion) and external (mergers and acquisitions) strategies. Intraco is currently seeking to acquire companies in the Telecommunications, Internet Development and Network Systems Integration areas. Additionally, Intraco, through relationships it intends to establish with Motorola, Microsoft, Unisys and Phonetic Systems, will incorporate new products and technologies into its product offering including phone access to Internet web sites and voice recognition driven auto-attendant products.

Intraco was incorporated in Florida in March 1990. In April 1999, Intraco completed an exchange agreement with Custom Touch Electronics, Inc. ("CTE"), a Nevada corporation with no material operations whose common stock traded on the OTC Bulletin Board, pursuant to which all outstanding shares of Intraco capital stock were exchanged for 10,531,500 CTE shares. The prior shareholders and promoters of CTE hold 2,429,489 shares and the Intraco shareholders at the time of the exchange hold 10,531,500 shares. As a result, Intraco Systems became a wholly-owned subsidiary of CTE and CTE changed its name to Intraco Systems, Inc. All references in this document to "Intraco" refer to the Nevada parent and the Florida subsidiary.

Year Ended December 31, 1999 Compared to December 31, 1998

Revenues. Revenues increased 8.1% from $2,704,931 for the year ended December 31, 1998 to $2,925,268 for the year ended December 31, 1999. This increase was primarily due to a $1,296,716 increase in systems/networks revenues, offset by a $1,076,379 decrease in service contract revenues. The Company has had a contract with Compaq Computer (previously Digital Equipment Corp.) for many years to resell support services. The profit margins on these contracts are below management's targets, and therefore, more resources are being directed toward developing businesses with higher profit margins and less emphasis is being placed on replacing those contracts that are not being renewed.

Cost of revenues. Cost of revenues increased 26.4% to $2,165,581 for the year ended December 31, 1999 as compared to $1,712,720 for 1998. Cost of systems were $1,852,443 or 72.8% of systems revenues for the year ended December 31, 1999, compared to $638,885 or 51.2% of systems revenue for the corresponding period in 1998. Cost of service contracts were $313,138 or 82.5% of service contract revenue for the year ended December 31, 1999, compared to $1,073,835 or 73.7% for the corresponding period in 1998. As Intraco transitions into the higher margin, higher growth area of telecommunications services from its traditional hardware and network support services, Intraco has been impacted by the margin pressure on hardware being experienced throughout the industry. Intraco expects this situation to improve as a greater proportion of sales comes from the newer product offerings. These include computer telephony, speech recognition, application service provider (ASP) and others. Although there can be no assurances that this strategy will prove successful, management believes it is necessary for Intraco's long term viability.

Selling, general and administrative. Selling, general and administrative expenses increased $1,159,663 or 111.7% to $2,197,492 for the year ended December 31, 1999 from $1,037,829 for the corresponding period in 1998. Most of the increase was due to salaries, facilities and the decision to aggressively pursue an acquisition strategy.

Interest expense. Interest expense, net of interest income, decreased $33,487 from net interest expense of $34,577 in 1998 to $1,090 in 1999.

Net loss. Intraco reported a net loss of $1,438,895 for the year ended December 31, 1999 and a net loss of $80,195 for 1998.

Liquidity and Capital Resources

Intraco has incurred significant losses and has substantial negative cash flow from operations. Intraco's independent auditors have included a footnote in their annual report for the year ended December 31, 1999, which expresses concern about Intraco's ability to continue as a going concern unless sales increase and/or additional investment capital is raised. Intraco expects significant operating losses to continue at least during the first half of 2000. Intraco recently received approximately $5.4 million from equity private placements and is currently offering preferred stock to institutional investors in a private offering. Intraco will require additional funding to cover current operations and the implementation of its business plan. There can be no assurance that additional funds will be raised through these offerings or otherwise.

At December 31, 1999, Intraco's current assets were $790,220 and current liabilities, $1,330,725 resulting in a negative working capital ratio. As adjusted for Intraco's recent financing, the Company's current assets and current liabilities are $5,796,020 and $1,330,725, respectively. Management is aggressively seeking to raise additional investment capital, both for working capital (current obligations) as well as to finance its growth and acquisition strategy. Although there can be no assurance that management will be successful in securing the needed capital, management is in discussion with potential investors and is optimistic that additional funding will be available.

Intraco had $151,725 of cash on hand at December 31, 1999, compared $32,245 at the same time last year. Net cash used in operations for the year ended December 31, 1999, was $1,104,543. This deficit was funded by the sale of common and preferred stock. The Company also repaid $294,147 of debt and incurred costs of $283,153 in recapitalizing and merging with CTE.

Intraco intends to pursue expansion and acquisition plans, which may include the opening of additional facilities, both domestically and internationally, as well as the acquisition of additional facilities and/or companies. The success and timing of any such plans and required capital expenditures are unpredictable and Intraco has no current arrangements with respect to any such acquisition. Funding for such plans could be a combination of issuance of additional equity, additional borrowings and profits from operations. Intraco cannot make any assurances that such funding would become available for such plans. Also, because Intraco is operating at a loss, it will need to secure additional funding to continue existing operations. No assurance can be made that such funding will be forthcoming and if forthcoming, be available at reasonable rates.

Factors That May Affect Future Results

You should carefully consider the following risks in evaluating Intraco. The risks described below are not the only ones that we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. Our business, operating results or financial condition could be materially adversely affected by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should also refer to the other information set forth in this Report, including our financial statements and the related notes.

Intraco cautions readers that certain important factors may affect Intraco's actual results and could cause those results to differ significantly from any forward-looking statements made in this report or otherwise made by or on behalf of Intraco. For this purpose, any statements contained in this report that are not statements of historical fact should be considered to be forward-looking statements. Words such as "may," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue" or the negatives of those words, or other comparable terminology, are intended to identify forward-looking statements. These statements appear in a number of places in this report and include statements as to the intent, belief or expectations of Intraco and its management.

Factors That May Affect Future Results

The following important factors, among others, could cause actual results to differ from those indicated in forward-looking statements made in this document. The following factors contain some forward-looking statements. Forward-looking statements give current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to our anticipated operating results for the year ending December 31, 1999, and our anticipated cash flow and to future actions, future performance or results of current and anticipated sales and marketing efforts, expenses, the outcome of contingencies, and other financial results. From time to time, Intraco or its management may provide oral or written forward-looking statements in other materials released to the public.

Any or all forward-looking statements in this document and in any other public statements made may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many factors mentioned in the discussion below will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially.

Neither Intraco nor its management undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. The reader is advised, however, to consult any further disclosures made on related subjects in future filings with the SEC.

Shift in Focus. With the recent hiring of Walt Nawrocki as Chief Executive Officer, Intraco has shifted its business focus towards providing speech recognition products and services. As a result of this recent shift in focus, Intraco's business model is still in development. Although it is in discussions with several prospective clients, Intraco has not yet sold any of its newly developed speech recognition products and services and demand for these products and services is uncertain. Additionally, Intraco's previous financial history is not a good indication of how the business is doing or how it is evolving. Because of these factors, an evaluation of Intraco's business is difficult.

Losses and Accumulated Deficit; Ability to Continue as a Going Concern. For the year ended December 31, 1999, Intraco reported a net loss of $1,438,895. As of December 31, 1999, Intraco had an accumulated deficit of $2,084,303, and stockholders' deficit of $237,635, although as a result of the recent private offerings Intraco now has positive stockholders' equity. Intraco is not currently profitable and there can be no assurance that Company will operate profitably in the future and that Intraco will not continue to sustain losses. Continued losses could materially and adversely affect Intraco's business.

Need for Additional Capital. Intraco cannot be certain that additional financing will be available to it on favorable terms when required, or at all. If Intraco raises additional funds through the issuance of equity, equity-related or debt securities, the securities may have rights, preferences or privileges senior to those of the rights of the Preferred Shares, and its purchasers may experience additional dilution. Intraco requires substantial working capital to build its ASP infrastructure, for marketing and promotion, and to fund its general business operations. Without any outside borrowing, Intraco currently anticipates that the net proceeds of this Offering, together with its available funds, will be sufficient to meet its anticipated needs for working capital and capital expenditures through at least the next 15 months. After that, Intraco may need to raise additional funds.

Rapid Growth. If Intraco is successful in implementing its business plan, its operations will expand rapidly. This rapid expansion could place significant strain on Intraco's management, financial and other resources. Intraco's ability to manage future growth, if it occurs, will depend upon its ability to control costs, significantly expand Intraco's financial and operating capabilities, maintain Intraco's operations support systems and expand, train and manage Intraco's employee base. If Intraco is unable to do this successfully, its prospects, financial condition and results of operations could be materially adversely affected.

Dependence on Strategic Software Relationships. Intraco obtains software products pursuant to agreements with Motorola, Unisys, Nuance and Lernout and Hauspie and intends to enter into additional agreements in the future. Intraco offers services based on the integration of these software packages to clients as part of their ASP solution. The provision of such software, as well as any additional software offerings, is critical to Intraco's ASP expansion strategy. If one or more of Intraco's existing relationships with its key software partners were to be terminated or not renewed, Intraco could be faced with discontinuing products or services or delaying or reducing introduction of services unless Intraco could find, license and offer equivalent software packages.

All of Intraco's third party agreements are non-exclusive. Intraco's competitors could also license and offer software products that Intraco offers as part of its ASP services. Intraco cannot be sure that its current strategic vendors will continue to support the software Intraco currently licenses from them in current form, nor can Intraco be sure that it will be able to adapt its systems to changes in such software. Furthermore, Intraco cannot be sure that financial or other difficulties will not be faced by such vendors which would have a material adverse effect on the software offered by these vendors.

Dependence on Infrastructure Providers. Intraco depends on certain third party suppliers, including telecommunications and network management software providers, to supply key infrastructure components for the provision of Intraco's ASP services. Some of these components or applications are only available from limited sources or sole providers in the quality and quantity Intraco demands. Any failure to obtain necessary products or services in a timely manner and at an acceptable cost could have a material adverse affect on Intraco's business, results of operations and financial condition.

Dependence on Key Personnel. The success of Intraco is dependent on the services of Walt Nawrocki, its Chief Executive Officer, Jack Berger its President, Secretary and Director and other key personnel. The loss of the services of Mr. Nawrocki, Mr. Berger or other key personnel could have a material adverse effect on Intraco's business. Intraco has entered into employment agreements with certain of its key personnel, including Mr. Nawrocki and Mr. Berger. Intraco does not currently maintain key man life insurance policies for any of its officers or other personnel.

Intellectual Property. Intraco's success is dependent, in part, on methodologies used in designing, installing and integrating computer software and systems and other proprietary intellectual property. Intraco relies on a combination of nondisclosure and other contractual arrangements and trade secret, copyright and trademark laws to protect Intraco's proprietary rights and the proprietary rights of third parties. Intraco also enters into confidentiality agreements with its key employees and limits distribution of proprietary information. There can be no assurance that the steps taken in this regard will be adequate to deter misappropriation of proprietary information or that management will be able to detect unauthorized use and take appropriate steps to enforce the intellectual property rights.

Although Intraco believes that its services do not infringe the intellectual property rights of others and that it has all rights necessary to utilize the intellectual property employed in its business, Intraco is subject to the risk of claims alleging infringement of third-party intellectual property rights. Any such claims could require Intraco to spend significant sums in litigation, pay damages, develop non-infringing intellectual property, or acquire licenses to the intellectual property that is the subject of an asserted infringement claim.

Although Intraco's various dealer agreements do not generally allow Intraco to use the trademarks and trade names of these various manufacturers, the agreements do permit Intraco to refer to itself as an "authorized representative" or an "authorized service provider" of the products of those manufacturers and to use their trademarks and trade names for marketing purposes. Intraco considers the use of these trademarks and trade names in its marketing efforts to be important to its business.

Dependence on Major Customers. To date, Intraco's sales have been highly concentrated. During 1998, approximately 29% of Intraco's total revenues were derived from one customer and 65% from its top 10 customers. If Intraco were to lose any of its major customers, its operating results and financial conditions could be adversely affected.

Attraction and Retention of Employees. Intraco's success depends, in large part, on its ability to attract, develop, motivate and retain technical professionals. At December 31, 1999, approximately 30% of Intraco's employees were technical professionals. Qualified technical professionals are in great demand and are likely to remain a limited resource for the foreseeable future. There can be no assurance that Intraco will be able to attract and retain sufficient numbers of technical professionals in the future. An increase in turnover rates could have a material adverse effect on Intraco's business, including its ability to secure and complete engagements and obtain new business, which could have a material adverse effect on Intraco's operating results and financial condition.

Rapid Technological Change. Intraco's success will depend in part on its ability to develop solutions that keep pace with continuing changes in speech recognition technology, evolving industry standards and changing client preferences. There can be no assurance that Intraco will be successful in adequately addressing these developments on a timely basis or that, if these developments are addressed, Intraco will be successful in the marketplace. In addition, there can be no assurance that products or technologies developed by others will not render Intraco's services noncompetitive or obsolete. Intraco's failure to address these developments could have a material adverse effect on Intraco's operating results and financial condition.

Reliance on Joint Marketing Agreements. Intraco currently has a joint marketing agreement with Motorola and intends to enter into additional agreements in the future. Intraco utilizes these agreements for its advertising and promotional programs. While these programs have been available to Intraco in the past, there is no assurance that these programs will be continued. Any discontinuance or material reduction of these programs could have an adverse effect on Intraco's operations and financial results.

Dependence on the Internet and on the Growth of Online Commerce. Intraco's future revenues substantially depend upon the increased acceptance and use of the Internet and other online services as a means to access information and as a medium for commerce. Rapid growth in the use of the Internet, the Web and online services is a recent phenomenon. As a result, acceptance and use may not continue to develop at historical rates and a sufficiently broad base of customers may not adopt and/or continue to use the Internet and other online services as a means to access information and as a medium for commerce. Demand and market acceptance for recently introduced services and products over the Internet are subject to a high level of uncertainty, and there exist few proven services and products.

In addition, the Internet may not be accepted as a viable long-term commercial marketplace for a number of reasons, including potentially inadequate development of the necessary network infrastructure or delayed development of enabling technologies and performance improvements. If the Internet continues to experience significant expansion in the number of users, frequency of use or bandwidth requirements, the infrastructure for the Internet may be unable to support the demands placed upon it. In addition, the Internet could lose its viability as a commercial medium due to delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity, or due to increased governmental regulation. Changes in, or insufficient availability of, telecommunications services to support the Internet also could result in slower response times and adversely affect usage of the Internet.

Future Competitors. The market for IT services is very competitive because of the large number of competitors and the rapidly changing environment. Although the speech recognition market is still in its relative infancy, primary competitors could include participants from a variety of market segments, including voice enabling companies, communication services providers, virtual assistant companies and large manufacturers and developers. Many of these competitors have significantly greater financial, technical and marketing resources and greater name recognition than Intraco. There can be no assurances that Intraco will compete successfully with its existing competitors or with any new competitors.

Management Information System. Intraco relies upon the accuracy and proper utilization of its management information system to provide timely distribution services, manage its inventory and track its financial information. To manage its growth, Intraco is continually evaluating the adequacy of its existing systems and procedures and continues to update and integrate critical functions. Intraco anticipates that it will regularly need to make capital expenditures to upgrade and modify its management information system, including software and hardware, as Intraco grows and the needs of its business change. There can be no assurance that Intraco will anticipate all of the demands which its expanding operations will place on its management information system. The occurrence of a significant system failure or Intraco's failure to expand or successfully implement its systems could have a material adverse effect on Intraco's operations and financial results.

Security Risks. Questions surrounding the secure transmission of confidential information to and from Intraco's secure data center form a barrier to the growth of Intraco's ASP services. Intraco's ASP services rely on encryption and authentication technology licensed from third parties to provide the security required to safely transmit confidential information. While Intraco has implemented a variety of state of the art network security systems to protect against unauthorized access, computer viruses, other intentional acts and accidents and disruptions may occur. Intraco's clients may experience service interruptions or delays as a result of accidental or intentional disruptions. Such acts could jeopardize the security of confidential client information. This could potentially result in liability to Intraco, loss of existing clients or the loss of reputation leading to difficulties in attracting new clients. Although Intraco plans to continuously upgrade its security systems, such measures have been circumvented in the past and Intraco's security could be circumvented in future. The costs required to avoid the intrusion of or to eliminate computer viruses or to alleviate other potential or real security threats could be expensive and any additional efforts required to address security issues could result in service interruptions or delays to clients which would have a material adverse effect on Intraco's business, results of operations and financial condition.

Project Risks. Many of the engagements Intraco plans to undertake involve projects that are critical to the operations of its clients' businesses and provide benefits that may be difficult to quantify. Intraco's failure or inability to meet a client's expectations in the performance of its services could result in a material adverse change to the client's operations and therefore could give rise to claims against Intraco or damage Intraco's reputation, adversely affecting its business, operating results and financial condition.

Acquisition Growth and Integration. Intraco believes that acquisitions are one of the methods it can use to increase its presence in existing markets, expand into new geographic markets, add experienced service personnel, gain new product offerings and services, obtain more competitive pricing as a result of increased purchasing volumes of particular products and improve operating efficiencies through economies of scale. Integration of acquisitions may involve a number of risks that could have a material adverse effect on Intraco's operating results and financial condition, including: restructuring charges associated with the acquisitions and other expenses associated with a change of control; non-recurring acquisition costs such as accounting and legal fees; investment banking fees; amortization of acquired intangible assets; recognition of transaction-related obligations and various other acquisition-related costs; diversion of management's attention; difficulties with retention, hiring and training of key personnel; and risks of incurring unanticipated problems or legal liabilities.

Variability of Quarterly Operating Results. Intraco has experienced, and may in the future continue to experience, fluctuations in its quarterly operating results. Factors that may cause Intraco's quarterly operating results to vary include the success of new services, number of active client projects, the requirements of client projects, the termination of major client projects, the loss of major clients, the timing of new client engagements, and the timing of personnel cost increases. Certain of these factors may also affect Intraco's personnel utilization rates which may cause further variation in quarterly operating results. The timing of revenues is difficult to forecast because Intraco's sales cycle is relatively long and Intraco's services are impacted by both the financial condition and management decisions of its clients and general economic conditions. Because a high percentage of Intraco's expenses are relatively fixed at the beginning of any period and Intraco's general policy is to not adjust its staffing levels based upon what it views as short-term circumstances, a variation in the timing of the initiation or the completion of client assignments, particularly at or near the end of any quarter, can cause significant variations in operating results from quarter to quarter and could result in losses for any particular period. In addition, many of Intraco's engagements are, and may be in the future, terminable by its clients without penalty. A termination of a major project could require Intraco to maintain under-utilized employees, resulting in a higher than expected percentage of unassigned professionals, or to terminate the employment of excess personnel. Due to all of the foregoing factors, there can be no assurance that Intraco's results of operations will not be below the expectations of investors for any given fiscal period or periods.

Effect of Anti-Takeover Provisions. The Intraco Board has the authority to issue up to 10,000,000 shares of preferred stock and to determine the price, rights, preferences and privileges of those shares without any further vote or action by Intraco stockholders. The rights of the holders of Intraco Common Stock will be subject to, and may be adversely affected by, the rights of the holders of preferred stock. While Intraco has no present intention to issue shares of preferred stock beyond the Series C Preferred Shares, such issuance, while providing desired flexibility in connection with possible acquisitions or other corporate purposes, could have the effect of delaying, deferring or preventing a change in control of Intraco and entrenching current management. In addition, such preferred stock may have other rights, including economic rights senior to those of the Intraco Common Stock, and, as a result, the issuance thereof could have a material adverse effect on the market value of the Intraco Common Stock.

A number of provisions of Intraco's Amended and Restated Certificate of Incorporation and By-Laws and the Nevada General Corporation Law relating to matters of corporate governance, certain rights of Directors, and the issuance of preferred stock without stockholder approval, may be deemed to have and may have the effect of making more difficult, and thereby discourage a merger, tender offer, proxy contest or assumption of control and change of incumbent management, even when stockholders other than Intraco's management or principal stockholders consider such a transaction to be in their best interest.

Volatility of Stock Price

The trading price of our Common Stock has been, and in the future is expected to be, volatile and we expect to experience further market fluctuations as a result of a number of factors, including:

- current and anticipated results of operations;
- changes in our business, operations or financial results;
- general market and economic conditions;
- competition;
- the number of shares outstanding;
- the number of market makers in our stock;
- lumber prices; and
- other factors.

We Do Not Anticipate Paying Dividends

We have never paid any cash dividends on our Common Stock and we do not anticipate paying cash dividends on our Common Stock in the foreseeable future. The future payment of dividends is directly dependent upon our future earnings, capital requirements, financial requirements and other factors to be determined by our Board of Directors. For the foreseeable future, it is anticipated that earnings, if any, which may be generated from our operations will be used to finance our growth. See "Dividend Policy."

Sales by Existing Stockholders Could Depress the Market Price of Our Common Stock

If our stockholders sell substantial amounts of our Common Stock (including shares issued upon the exercise of outstanding options), the market price of our Common Stock could fall. We have outstanding 18,169,969 shares of Common Stock, of which 1,796,511 shares are freely tradable in the public market, and of which 16,373,458 shares are "restricted securities" under the Rule 144. In April 2000, approximately 3,500,000 shares of restricted securities not owned by officers or directors become eligible for sale under Rule 144. Our officers, directors and employees own options to purchase up to 8,244,800 additional shares of Common Stock. The exercise prices for some of these options are substantially below the current market price.

Restricted securities may only be sold pursuant to an effective registration statement under the Securities Act or in compliance with Rule 144 under the Securities Act or other exemption from registration. Rule 144 provides that a person holding restricted securities for a period of one year may sell such securities during any three-month period, subject to certain exceptions, in limited amounts. Rule 144 also permits, under certain circumstances, the sale of shares without any quantity limitations by a person who is not our affiliate and who has held the shares for a two year holding period. No predictions can be made as to the effect, if any, that market sales of such shares or the availability of such shares for future sale will have on the market price of the Common Stock prevailing from time to time.

We May Issue Preferred Stock to Resist Takeovers

Our Articles of Incorporation authorizes 10,000,000 shares of preferred stock, of which 1,752,900 shares are issued and outstanding. As provided in our Articles of Incorporation, preferred stock may be issued by resolutions of our Board of Directors from time to time without any action of the stockholders. These resolutions may authorize issuance of the preferred stock and set dividend and liquidation preferences, voting rights, conversion privileges, redemption terms and other privileges and rights. Accordingly, our Board of Directors may, without stockholder approval, issue additional preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or the rights of the holders of our Common Stock. The preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of Intraco.

Item 7. Financial Statements

The financial statements are attached a the end of this document.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

The following personnel serve as the directors and executive officers of Intraco:

Name	*Age*	*Position*
Walt Nawrocki	54	Chief Executive Officer
Jack Berger	45	President, Secretary and Director
Robert Marcus	56	Chief Financial Officer and Treasurer
Robert Hildreth, Jr.	66	Chairman of the Board of Directors
William D. Hager	53	Director
Benjamin W. Krieger	62	Director

Walt Nawrocki joined Intraco in November 1999 as Chief Executive Officer. Prior to joining Intraco, Walt served as President, Chief Executive Officer and Director of Registry Magic Inc. Under Mr. Nawrocki's direction, Registry Magic established the Virtual Operator as the industry leader in product sales for speech driven auto attendants, while creating the largest dealer network and garnering the most awards in the speech recognition industry. The Virtual Operator is installed in Fortune 500 companies and is being sold outside the U.S. in several languages. While at Registry Magic, Mr. Nawrocki also entered into agreements with Microsoft and Motorola to speech enable Internet Websites using technology from both companies. Mr. Prior to joining Registry Magic, Mr. Nawrocki spent over 30 years at IBM where he was employed in positions of increasing responsibility, becoming Manager for Worldwide Product Development and Business

Management in August of 1992. In such capacity, he oversaw a number of business areas, including speech products, and was responsible for acquisitions, joint development and OEM licensing programs. His working teams have been honored with five *Byte Magazine* awards for speech recognition products and an IBM Market Driven Quality award for customer requirements and customer satisfaction.

Jack Berger, currently President, Secretary and Director, was the founder and had been Chief Executive Officer of Intraco from its inception in 1990 until November 1999. Mr. Berger has over 20 years of experience in the domestic and international computer systems industry. When he formed Intraco, it initially specialized in exporting computer hardware and established strategic relationships with some of the largest companies in Europe and the Pacific Rim. Mr. Berger then refocused the product and marketing strategy into higher margin, higher value added technology solutions and shifted focus to the domestic market. Prior to Intraco, Mr. Berger worked for ten years at the Real Time Products Division of Computer Products, Inc., where he held several key positions. These included managing the Production Control activity, which resulted in the division meeting its quarterly revenue goals ahead of schedule for the first time, and establishing and managing the Sales Support department, which was responsible for supporting all sales activity on a global basis. Mr. Berger then became the International Sales Manager with responsibility for all sales outside of the domestic U.S. During this time Mr. Berger was able to utilize his entrepreneurial skills to establish and manage an effective worldwide organization of distributors that continuously met its revenue goals. This combination of management and entrepreneurial skills gives Mr. Berger a unique set of experiences covering many strategic aspects of the computer industry. Mr. Berger has a BSEE from the University of Miami.

Robert Marcus joined Intraco in January 1999 as Chief Financial Officer and Treasurer. Prior to Intraco he was a partner in American Imprints, LLC, an advertising specialty company, from 1996 to 1998; Chief Executive Officer of In-Store Opportunities, Inc., a marketing and display company serving major food manufacturers, from 1991 to 1996, and Chief Financial Officer from 1988 to 1990; and Chief Operating Officer and Chief Financial Officer of Pioneer Communications Network, a publicly-traded publishing company, from 1985 to 1988. He previously worked for the Xerox Corporation from 1972 to 1985 in the Information Resources Group in various positions including Manager of Financial Planning & Analysis, Assistant Controller and Manager of Business Development with responsibility for mergers and acquisitions. During this time, Mr. Marcus was instrumental in completing the acquisition of the microfilm business of the *New York Times*. Mr. Marcus holds a BS from C.W. Post College and an MBA from the University of Connecticut.

Robert Hildreth, Jr. is the Chairman of the Board of Directors and was the first member of the Board of Advisors formed in May of 1998. Mr. Hildreth brings a broad scope of experience to Intraco, with over 30 years in the domestic and international financial community. He is currently President of Hildreth Associates, a consulting firm, and was formerly the International Director of the law firm of LeBouef, Lamb, Leiby & McRae, a Senior Utility Advisor to Goldman Sachs & Co., a Managing Director of Investment Banking for Merrill Lynch and a Director of Merrill Lynch International Bank in London. Mr. Hildreth is also a director of MerchantOnline.com, Inc., a provider of e-commerce services to merchants.

William D. Hager was elected a director in March 2000. He has been on Intraco's Board of Advisors since its inception in 1998. He has been a principal with Risk Metrics Corporation since 1998. Prior thereto, he was the president and chief executive officer of NCCI, the nation's largest workers compensation and health care informatics corporation. During his service with NCCI, it employed 1,000 people in 15 national offices and generated annual revenues approaching $150 million. He is currently chairman of the board and CEO of Cenetec LLC, a technology accelerator located in Boca Raton, Florida.

Benjamin W. Krieger was elected a director in March 2000. He has been on Intraco's Board of Advisors since its inception in 1998. He specializes in the pulp and paper, packaging, graphic arts and distribution industries. From 1983 to 1990, he was president and chief executive officer of Ris Paper Company, a private paper distribution company with 26 distribution centers and annual sales of approximately $500 million.

Messrs. Hager and Kreiger will serve on the audit committee.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

To Intraco's knowledge, based solely on a review of the copies of such reports furnished to Intraco and on representations that no other reports were required, Form 3s were not timely filed by Messrs. Berger, Nawrocki and Marcus.

Item 10. Executive Compensation

The following table summarizes all compensation accrued by Intraco in each of the last three fiscal years for Intraco's executive officers serving as such whose annual compensation exceeded $100,000.

Name and Principal Position	Year	Annual Compensation Salary($)	Bonus	Other(1)	Long Term Compensation Options
Jack Berger, President	1999	137,800	0	$6,000	-
	1998	137,800	0	0	
	1997	99,900	0	0	

(1) Includes automobile expense.

Employment Agreements

Intraco entered into a three-year employment agreement with Jack S. Berger, effective as of January 1, 1998 and amended effective January 1, 2000, pursuant to which he serves as Intraco's president and secretary. The agreement now expires December 31, 2002. The agreement provides for an annual salary of $160,000., The base salary shall be adjusted at the end of each year of employment at the discretion of the board of directors.

The agreement also provides that Mr. Berger's employment may be terminated at Intraco's discretion during the initial term, provided that Intraco shall pay Mr. Berger an amount equal to payment at his base salary rate for the remaining period of the initial term, plus an amount equal to 50% of his base salary. In the event of such termination, Mr. Berger is not entitled to any incentive salary payment of any other compensation then in effect, prorated or otherwise. At its discretion, Intraco may also terminate Mr. Berger any time after the initial term, provided that in such case Mr. Berger shall be paid 50% of his then applicable base salary. In the event of such termination, Mr. Berger shall not be entitled to receive any incentive salary payment or any other compensation then in effect, prorated or otherwise.

In the event that Mr. Berger is in breach of any material obligation owed to Intraco, habitually neglects the duties to be performed under the agreement, engages in any conduct which is dishonest, damages the reputation or standing of Intraco, or is convicted of any criminal act or engages in any act of moral turpitude, then Company may terminate the agreement upon five days notice to Mr. Berger. In the event of such termination, Mr. Berger shall be paid only at the then applicable base salary rate up to and including the date of the termination, and shall not be paid any incentive salary payments or other compensation, prorated or otherwise.

Intraco entered into a three-year employment agreement with Walt Nawrocki, effective as of September 24, 1999 and amended effective January 1, 2000, pursuant to which he serves as Intraco's chief executive officer. The agreement provides for an annual salary of $175,000. The base salary shall be adjusted at the end of each year of employment at the discretion of the board of directors. The agreement otherwise has similar terms to Mr. Berger's agreement.

Intraco entered into a three-year employment agreement with Robert Marcus, effective as of January 18, 1999, as amended in September and December 1999, pursuant to which he serves as Intraco's Chief Financial Officer. The agreement provides for a base salary of $145,000 commencing in January 2000. Further increases will be at the discretion of the board of directors.

Stock Option Plans

Intraco has adopted a stock option plans to attract and to induce officers, directors and key employees of Intraco to remain with Intraco. The plan will provide for options which will qualify as incentive stock options under Section 422(a) of the Internal Revenue Code of 1986, as amended, as well as for nonstatutory options. No more than fifteen percent (15%) of the Common Stock outstanding will be reserved for issuance upon exercise of options to be granted from time-to-time. The 1998 Stock Option Plan (the "Plan") was approved in 1998 and amended in 1999 to increase the number of shares available for grant to 10,000,000 from 2,000,000.

As of March 22, 2000, an aggregate of 8,244,800 options were outstanding under the Plan with exercise prices of $.25 to $3.94. These options vest immediately to over a five-year period and expire from two years to ten years. In 1999, an aggregate of 6,789,800 were granted in 1999, including 4,000,000 to Mr. Nawrocki and 2,000,000 to Mr. Marcus.

The Plan provides for options which will qualify as incentive stock options under Section 422(a) of the Internal Revenue Code of 1986, as amended, as well as for options which do not so qualify. The Board may terminate the Plan or may amend the Plan in such respects, as it shall deem advisable. The Board may unilaterally amend the Plan and Incentive Awards as it deems appropriate o ensure compliance with Rule 16b-3 and to cause Incentive Awards to meet the requirements of the Code, including Code section 422, and regulations thereunder.

All present and future employees of Intraco or of any parent or subsidiary of Intraco ("Employee") and any person retained to provide services to Intraco (other than as an Employee, a member of the Board of Directors or a member of the board of directors of any subsidiary or parent of Intraco), and who is selected by the committee to be eligible to receive Incentive Awards under the Plan ("Selected Advisors").

All present and future Non-Employee Directors are eligible to receive Non-Statutory Options") under the Plan. Non-Employee Directors shall not be entitled to receive any other form of Incentive Award under the Plan.

The exercise price of shares of Company Stock covered by an Incentive Stock Option cannot be less than 100% of the fair market value of such shares on the date of grant; provided that if an Incentive Stock Option is granted to an Employee who, at the time of the grant, is a 10% Shareholder, then the exercise price of the shares covered by the Incentive Stock Option will not less than 110% of the fair market value of such shares on the date of grant. The exercise price of Nonstatutory Stock Options will not less than 85 % of fair market value of such shares on the date of grant.

Item 11. <u>Security Ownership of Certain Beneficial Owners and Management</u>

The following table sets forth, as of the close of business on March 28, 2000 (a) the name, address and number of shares of each person known by Intraco to be the beneficial owner of more than 5% of Intraco's Common Stock and (b) the number of shares of Common Stock owned by each director and all officers and directors as a group, together with their respective percentage holdings of such shares:

Name and Address of Beneficial Owner(1)	Amount of Beneficial Ownership of Stock	%
Jack Berger	8,109,000 (2)	44.6%
Walt Nawrocki	4,000,000 (3)	18.0
Robert Marcus	2,000,000 (4)	9.9
Robert Hildreth, Jr.	235,400 (5)	1.3
William D. Hager	170,000 (6)	*
Benjamin W. Kreiger	90,000 (7)	*
All Officers and Directors as a Group (six persons)	14,604,400	59.6

* Less than 1%
(1) The address of all persons listed above is 3998 FAU Boulevard, Boca Raton, Florida 33431.
(2) Messrs. Berger and Nawrocki have entered into a voting agreement with respect to their shares. See "Item 12—Certain Relationships and Related Transactions."
(3) Includes options to acquire 4,000,000 shares.
(4) Includes options to acquire 2,000,000 shares.
(5) Includes 20,400 shares of common stock, 20,000 shares issuable upon conversion of preferred stock and options to acquire 195,000 shares.
(6) Includes options to acquire 70,000 shares.
(7) Includes options to acquire 70,000 shares.

Item 12. Certain Relationships and Related Transactions

From time to time, Intraco has loaned funds and sold products to Intraco, Ltd., which is owned by Jack Berger, Intraco's President. In 1997, Intraco sold products valued at $216,000 and received cash payments of $82,590 and in 1998 sold products valued at $235,255 and received cash payments of $199,126. The remaining $169,539 was converted into a note receivable bearing interest at 6% per annum and payable in 36 monthly installments. In 1999, $74,000 was collected and the remaining $48,000 was determined to uncollectable.

In May 1997, Intraco entered into a consulting agreement with Vestar Capital Corporation pursuant to which Vestar provides organizational and strategic planning services. Vestar assisted Intraco with an internal reorganization in 1998 and assisted in the identification of potential acquisitions. The compensation under this agreement provided for monthly fees of $3,000 through February 1998, and $1,650 per week thereafter. Vestar was also issued 891,000 shares of common stock, which represented 9.9% of the then-outstanding shares, and had the right to be issued warrants to maintain its 9.9% interest for all issuances of capital stock until May 2000 as an anti-dilution provision. During March 1999, Intraco issued to Vestar warrants to purchase 150,000 shares of common stock at $0.25 per share in exchange for the cancellation of the anti-dilution clause of its 1997 agreement.

In April 1999, Intraco completed an exchange agreement with CTE, a Nevada corporation with no material operations whose common stock traded on the Bulletin Board, pursuant to which all outstanding shares of Intraco capital stock were exchanged for 10,531,500 CTE shares. The prior shareholders and promoters of CTE hold 2,429,489 shares and the Intraco shareholders at the time of the exchange held 10,531,500 shares. As a result, Intraco became a wholly-owned subsidiary of CTE and CTE changed its name to Intraco Systems, Inc. A total of 1,487,298 shares were issued to Jensen Services and Associates for services associated with the exchange agreement.

In April 1999, Intraco entered into an agreement with H&J Investments to sell, on Intraco's behalf, 866,000 shares of Common Stock at $1.00 per share to non-U.S. investors. H&J issued to Intraco a 12-month note in the principal amount of $866,000, of which $420,000 has been paid as of December 31, 1999.

In March 2000, Jack Berger and Walt Nawrocki entered into a voting agreement pursuant to which they agreed to share equally in voting the shares owned by each of them. They also agreed to vote all of the shares of Intraco securities to which he is entitled to vote in favor of the other person in the election of Intraco directors and to not take any action, directly or indirectly, that will assist, facilitate, encourage or solicit another party in the removal of the other from Intraco board or from their current positions as executive officers of Intraco.

Item 13. <u>Exhibits and Reports on Form 8-K</u>

(a) Exhibits

Exhibit No.	Description
2.1	Exchange Agreement among Intraco Systems, Inc., Custom Touch Electronics, Inc. (1)
3.1	Amended and Restated Certificate of Incorporation(1)
3.2	Bylaws(1)
10.1	Stock Option Plan(1)
10.2	Employment Agreement between Intraco and Jack Berger(1)
10.2(a)	Amendment to Berger Employment Agreement
10.3	Employment Agreement between Intraco and Bob Marcus(1)
10.3(a)	Amendment to Marcus Employment Agreement
10.4	Employment Agreement between Intraco and Carlos Munoz(1)
10.5	Agreement for Professional Consulting Services between Intraco and Vestar Capital(1)
10.6	Letter Agreement between Intraco and Digital Equipment Corporation(1)
10.7	Employment Agreement between Intraco and Walt Nawrocki
10.8	Voting Agreement between Jack Berger and Walt Nawrocki
23.1	Accountants' Consent
27.1	Financial Data Schedule

(1) Incorporated by reference to the Registrant's Registration Statement on Form 10-SB.

*Management compensation plan or arrangement

(b) Intraco did not file any Reports on Form 8-K during the fourth quarter of the year ended December 31, 1999.

INTRACO SYSTEMS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1999 AND 1998

TABLE OF CONTENTS

Daszkal Bolton
Manela Devlin & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Michael I. Daszkal, CPA, P.A.
Jeffrey A. Bolton, CPA, P.A.
Robert A. Manela, CPA, P.A.
Timothy R. Devlin, CPA, P.A.
Michael S. Kridel, CPA, P.A.

Member of
American Institute of
Certified Public Accountants –
SEC and Private Companies
Practice Sections

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Intraco Systems, Inc.

We have audited the accompanying balance sheets of Intraco Systems, Inc., as of December 31, 1999 and 1998, the related statements of operations, changes in stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intraco Systems, Inc., as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Boca Raton, Florida
February 18, 2000, except for
Note 13, as to which the date is
March 16, 2000

Daszkal Bolton Manela Devlin & Co.

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INTRACO SYSTEMS, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 1999 AND 1998

ASSETS

	1999	1998
Current assets:		
Cash	$ 151,725	$ 32,245
Accounts receivable, net of allowance of $6,639 and $-0-	535,422	49,900
Inventory	16,678	65,840
Prepaid expenses	86,395	125,945
Total current assets	790,220	273,930
Property and equipment, net	233,914	113,076
Other assets:		
Goodwill, net of amortization of $1,125 and $-0-	82,785	-
Due from related party	-	46,480
Note receivable - related party	-	123,059
Due from shareholder	2,800	20,500
Deposits	15,064	13,819
Total other assets	100,649	203,858
Total assets	$ 1,124,783	$ 590,864

See accompanying notes to financial statements.

INTRACO SYSTEMS, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 1999 AND 1998

LIABILITIES AND STOCKHOLDERS' DEFICIT

	1999	1998
Current liabilities:		
Accounts payable	$ 1,025,952	$ 332,476
Deferred revenue	165,494	152,174
Customer deposits	3,900	172,195
Capital lease payable	9,314	-
Note payable	126,065	306,526
Due to shareholder	-	17,700
Total current liabilities	1,330,725	981,071
Capital lease payable	31,323	-
Note payable	-	113,686
Total long term liabilities	31,323	113,686
Stockholders' deficit:		
Series A convertible redeemable preferred stock, $.001 par value, 2,500,000 shares authorized and 767,400 and 52,500 shares issued and outstanding, 7% cumulative, with a $1.00 per share preference value	767	53
Series B convertible redeemable preferred stock, $.001 par value, 1,700,000 shares authorized and 989,000 shares issued and outstanding, with a $1.00 per share preference value and $.997 for subscriptions over $100,000	989	-
Common stock, $.001 and $.001 par value, 100,000,000 and 50,000,000 shares authorized, 13,020,989 and 9,665,200 shares issued and outstanding	13,021	9,665
Subscriptions receivable	(446,300)	-
Additional paid-in capital	2,251,561	131,797
Outstanding stock options	27,000	-
Accumulated deficit	(2,084,303)	(645,408)
Total stockholders' deficit	(237,265)	(503,893)
Total liabilities and stockholders' deficit	$ 1,124,783	$ 590,864

See accompanying notes to financial statements.

INTRACO SYSTEMS, INC.
STATEMENTS OF OPERATIONS
AS OF DECEMBER 31, 1999 AND 1998

	1999	1998
Revenues:		
Systems/networks	$ 2,545,540	$ 1,248,824
Service contracts	379,728	1,456,107
Total revenues	2,925,268	2,704,931
Cost of revenues:		
Systems/networks	1,852,443	638,885
Service contracts	313,138	1,073,835
Total cost of revenues	2,165,581	1,712,720
Gross profit	759,687	992,211
General and administrative	2,197,492	1,037,829
(Loss) from operations	(1,437,805)	(45,618)
Interest income	39,311	2,490
Interest expense	(40,401)	(37,067)
Net (loss)	$ (1,438,895)	$ (80,195)
Net loss per share (basic & diluted)	$ (0.12)	$ (0.01)
Weighted average number of shares outstanding and to be issued	12,067,309	9,075,864

See accompanying notes to financial statements.

INTRACO SYSTEMS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 1999 AND 1998

	Preferred Stock A		Preferred Stock B		Common Stock		Subscriptions	Additional Paid-In	Outstanding Stock	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Receivable	Capital	Options	Deficit	Total
Balance at December 31, 1997	-	$ -	-	$ -	100	$ 100	$ -	$ 32,722	$ -	$ (565,213)	$ (532,391)
Common stock split	-	-	-	-	8,999,900	8,900	-	(8,900)	-	-	-
Issuance of common stock for cash	-	-	-	-	665,200	665	-	165,635	-	-	166,300
Costs associated with issuance of stock	-	-	-	-	-	-	-	(110,107)	-	-	(110,107)
Issuance of preferred stock for cash	52,500	53	-	-	-	-	-	52,447	-	-	52,500
Net loss for the year	-	-	-	-	-	-	-	-	-	(80,195)	(80,195)
Balance at December 31, 1998	52,500	53	-	-	9,665,200	9,665	-	131,797	-	(645,408)	(503,893)
Issuance of preferred stock for cash - Series A	714,900	714	-	-	-	-	-	714,286	-	-	715,000
Issuance of preferred stock for cash - Series B	-	-	989,000	989	-	-	-	988,011	-	-	989,000
Stock options	-	-	-	-	-	-	-	-	27,000		27,000
Costs associated with issuance of stock	-	-	-	-	-	-	-	(526,994)	-	-	(526,994)
Issuance of common stock	-	-	-	-	3,295,789	3,296	-	863,004	-	-	866,300
Issuance of common stock for acquisition	-	-	-	-	60,000	60	-	89,940	-	-	90,0[illegible]
Dividends paid	-	-	-	-	-	-	-	(8,483)	-	-	(8,483)
Subscriptions receivable	-	-	-	-	-	-	(446,300)	-	-	-	(446,300)
Net loss for the year	-	-	-	-	-	-	-	-	-	(1,438,895)	(1,438,895)
Balance at December 31, 1999	767,400	$ 767	989,000	$ 989	13,020,989	$ 13,021	$ (446,300)	$ 2,251,561	$ 27,000	$ (2,084,303)	$ (237,265)

See accompanying notes to financial statements.

INTRACO SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
Cash flows from operating activities:		
Net (loss)	$ (1,438,895)	$ (80,195)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	72,331	18,426
Stock options	27,000	-
Allowance for note receivable - related party	48,096	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Inventory	49,162	(65,840)
Accounts receivable	(485,522)	185,727
Prepaid expenses	39,549	1,320
Due from related parties	46,480	(38,929)
Security deposits	(1,245)	(11,111)
Increase (decrease) in:		
Accounts payable	693,476	143,236
Deferred revenue	13,320	(441,559)
Customer deposits	(168,295)	172,195
Net cash used by operating activities	(1,104,543)	(116,730)
Cash flows from investing activities:		
Purchase of property and equipment	(145,316)	(58,058)
Cash flows from financing activities:		
Proceeds from issuance of common stock	420,000	166,300
Proceeds from issuance of preferred stock	1,704,000	52,500
Costs associated with issuance of stock	(526,994)	(110,107)
Proceeds from capital lease	9,363	-
Repayment of capital lease	(9,363)	-
Proceeds from note receivable - related party	74,963	-
Dividends paid	(8,483)	-
Repayment of long-term debt	(294,147)	(156,694)
Net cash provided (used) by financing activities	1,369,339	(48,001)
Net increase (decrease) in cash	119,480	(222,789)
Cash, beginning of year	32,245	255,034
Cash, end of year	$ 151,725	$ 32,245
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 40,401	$ 37,067
Non-cash transactions affecting financing activities:		
Common stock issued for note	$ 446,300	$ -
Conversion of accounts payable to note payable	$ -	$ 438,906
Issuance of common stock for acquisition	$ 90,000	$ -
Assets acquired under capital lease	$ 50,000	$ -

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Intraco Systems, Inc. (the "Company") was incorporated in Florida in March 1990. In April, 1999, CTE, a public shell, acquired all of the outstanding common stock of the Company. For accounting purposes, the acquisition has been treated as an acquisition of CTE by the Company and as a recapitalization of the Company. As a result of the recapitalization, the Company is now a Nevada Corporation. Intraco is a Communications Solution Provider, offering the integration of voice, data and Internet based technology solutions to a wide range of customers. Intraco offers complementary information technology solutions to clients on a local and regional basis. Intraco's targeted customers include small and mid-size companies in a wide range of industries including communications, healthcare, financial services, manufacturing, professional services and technology.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

The Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over their estimated useful lives.

Advertising Costs

Advertising costs, which are principally included in general and administrative expenses, are expensed as incurred. Advertising expense was $16,231 and $10,742 for the years ended December 31, 1999 and 1998, respectively.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Generally, revenues from sales of products are recognized when products are shipped unless the Company has obligations remaining under a sales or licensing agreement, in which case revenue is either deferred until all obligations are satisfied or recognized ratably over the term of the contract. Revenues from sales of maintenance contracts in 1999 and 1998 were $379,728 and $1,456,107, respectively.

Inventory

Inventory consists primarily of computer equipment purchased for resale, and is stated at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method.

Amortization of Goodwill

Goodwill represents the amount by which the purchase price of a business acquired exceeds the fair market value of the net assets acquired under the purchase method of accounting. Goodwill is being amortized on a straight-line basis over 15 years. Accumulated amortization at December 31, 1999 is $1,125.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	1999	1998
Leasehold improvements	$ 51,971	$ 50,282
Equipment	302,050	111,696
Furniture and fixtures	22,260	22,260
Total property and equipment	376,281	184,238
Less: accumulated depreciation	(142,367)	(71,162)
Property and equipment, net	$ 233,914	$ 113,076

Depreciation expense for the years ended December 31, 1999 and 1998 was $71,206 and $18,426, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Company is affiliated with various companies through common ownership. During the years ended December 31, 1999 and 1998, the Company had the following transactions with a related party (Intraco, Ltd.):

	1999	1998
Due from related party - beginning of year	$ 46,480	$ 133,410
Sales to related party	-	235,255
Cash received	(46,480)	(199,126)
Less: amount converted to note receivable (Due in 36 monthly installments, with an interest rate of 6%)	-	(123,059)
Due from related party - end of year	$ -	$ 46,480

During the year ended December 31, 1999, the Company collected approximately $74,000 of the note receivable balance. At December 31, 1999, the Company determined that the remaining $48,000 was uncollectable.

NOTE 5 - OPERATING LEASES

The Company leases facilities and equipment under operating leases, with terms from three to five years, payable in monthly installments. Total lease expense for the years ended December 31, 1999 and 1998, was $152,904 and $71,074, respectively.

Future minimum lease payments for leases with a term in excess of one year are as follows:

Years ended December 31,	
2000	$ 123,231
2001	123,231
2002	107,068
2003	107,068
2004	-
	$ 460,598

NOTE 6 – CAPITAL LEASE

Certain non-cancelable leases are classified as capital leases, and the leased assets are included as part of "Property and equipment." Other leases are classified as operating leases and are not capitalized. Details of the capitalized leased assets are as follows:

	1999	1998
Equipment	$ 50,000	$ -
Less: accumulated depreciation	(10,000)	-
Total	$ 40,000	$ -

At December 31, 1999, the future minimum lease payments under the capital lease are as follows:

Years Ended December 31,	Capital Leases
2000	$ 11,940
2001	11,940
2002	11,940
2003	10,945
Total minimum lease payments	46,765
Less: amount representing interest	(6,128)
Present value of net minimum lease payments	40,637
Less: current maturities	(9,314)
Long-term obligation	$ 31,323

NOTE 7 - LONG-TERM DEBT

At December 31, 1999 and 1998, long-term debt consists of the following:

	1999	1998
Note payable due in monthly installments ranging from $12,000 to $39,000 including interest at 10%, with remaining balances due March 2000. Secured by all assets of the Company.	$ 126,065	$ 420,212
Less current portion	(126,065)	(306,526)
Note payable - long term	$ -	$ 113,686

Total interest expense for the years ended December 31, 1999 and 1998, was approximately $40,400 and $37,000, respectively.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Company maintains its cash bank deposits at various financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $100,000 and the balances, at times, may exceed federally insured limits. At December 31, 1999 the balance exceeding this limit was approximately $147,000. At December 31, 1998, the Company's cash balance did not exceed the insured limit. The Company routinely assesses the financial strength of its customers, and, as a consequence, believes its trade accounts receivable exposure is limited.

NOTE 9 - MAJOR CUSTOMERS

Sales to one customer in 1999 represented approximately 38% of total sales, and sales to another customer represented approximately 29% of total sales in 1998.

NOTE 10 - STOCKHOLDERS' DEFICIT AND STOCK OPTION PLAN

In August and in November 1998, the Company amended and restated the Articles of Incorporation. The Company increased the aggregate number of shares to 60,000,000 consisting of 50,000,000 shares of common stock, par value $.001 per share and 10,000,000 shares of preferred stock, par value $.001 per share, 7% cumulative dividend, payable quarterly starting February 1, 1999. Five years from the date of issuance or 180 days after the effective date of the Company's initial public offering, the holders of at least 51% of the Series A preferred stock will have one demand registration right. The Company will be contractually required to use its best efforts to file a registration statement and to have such registration statement become effective.

In November of 1998, the Company commenced a Regulation D 504 stock offering, and, as a result of the offering, the Company issued 665,200 shares of common stock for $166,300, or $0.25 per share. Also in November of 1998, the Company began a preferred stock Series A offering and as a result of the offering, the Company issued 767,400 shares of preferred stock of which $187,000 were issued under Regulation D 506 and $580,400 under Regulation S at $1.00 per share. Costs incurred associated with these offerings totaled $212,000. The Company is continuing the offering.

Holders have the right to convert the Series A preferred stock, in whole or in part, at any time or from time to time, into the common stock, par value $.001, of the Company. The initial conversion rate shall be on a one-to-one basis, and shall be subject to proportional stock splits, stock dividends and reverse stock splits, and to standard weighted average price-based anti-dilution provisions as well as specific anti-dilution provisions with respect to any future series of preferred stock.

In October of 1999, the Company began a Series B preferred stock offering, and, as a result of the offering, the Company issued 989,000 shares under Regulation S of preferred stock, for a total of $989,000. Holders will have the right to convert the Series B preferred stock, in whole or in part, at any time, or from time to time, into the common stock, par value $.001, of the Company. The initial conversion rate shall be on a one-to-one basis, and shall be subject to proportional stock splits, stock dividends, and reverse stock splits. The shares of Series B preferred stock shall be subject to redemption, in whole or in part, at any time and from time to time, at the option of the Company, at the stated Preference Value per share.

In March, 1999, the Company sold 866,300 shares of $.001 par value common stock to an investment company at $1.00 per share for an interest-bearing note. At December 31, 1999, the Company held $446,300 of this note from the investment company.

NOTE 10 - STOCKHOLDERS' DEFICIT AND STOCK OPTION PLAN, continued

Stock Option Plan

Under the Company's stock option plan, 10,000,000 shares of common stock were reserved for issuance upon exercise of options granted to directors, officers and employees of the Company. Options issued through December 31, 1999 carry exercise prices equal to that of the fair market value on the date of the grant. The options vest immediately or equally over a period of one to three years following the date of grant and the unexercised portion of the options expires and ceases to be exercisable on the earlier of the tenth year after the date of the grant or specified date following termination of employment.

The Company has elected to account for the stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense has been recognized on the stock options.

Had compensation expense for the stock option plan been determined based on the fair value of the options at the grant date consistent with the methodology prescribed under Statement of Financial Standards No. 123, "Accounting for Stock Based Compensation," the Company's 1999 net loss would have increased by $1,539,000. The fair value of each option is estimated on the date of grant using fair market option pricing model with the assumption:

Risk-free interest rate	6%
Expected life (years)	10
Expected volatility	n/a
Expected dividends	None
Weighed average remaining contractual life	9.5 years

A summary of option transactions during the years ended December 31, 1999 and 1998, is shown below:

	Number of Options	Weighted Average Exercise Price Per Option
Outstanding at December 31, 1998	815,000	$ 0.25
Granted	6,789,800	0.84
Exercised	-	-
Forfeited	-	-
Outstanding at December 31, 1999	7,604,800	$ 0.84

Warrants

In April of 1999 the Company granted 150,000 stock options (warrants) to Vestar Capital Corporation, a company controlled by a minority shareholder, as part of a consulting agreement. Compensation expense for the warrants has been determined based on the fair value of the options at the grant date consistent with the methodology prescribed under Statement of Financial Standards No. 123, "Accounting for Stock Based Compensation". Compensation expense of $27,000 was recorded in 1999. The fair value of each option is estimated on the date of grant using fair market option pricing model with the assumptions as stated above.

NOTE 11 - INCOME TAXES

The Company has an unused net operating loss carryforward of $1,917,667 available for use on its future corporate federal and state income tax returns. The Company was taxed as an S corporation until May 7, 1997, when a disqualifying event occurred and the Company began taxation as a C corporation. The Company's evaluation of the tax benefit of its net operating loss carryforward is presented in the following table. The tax amounts have been calculated using the 34% federal and 5.5% state income tax rates.

	1999	1998
Taxes currently payable	$ -	$ -
Deferred income tax benefit	530,952	27,485
Change in beginning valuation allowance	(530,952)	(27,485)
Provision (benefit) for income taxes	$ -	$ -

Reconciliation of the Federal statutory income tax rate to the Company's effective income tax rate is as follows:

	1999	1998
Computed at the statutory rates (34%)	$ (480,044)	$ (27,266)
Increase (decrease) resulting from:		
Non-deductible expenses	344	2,692
State income taxes, net of federal income tax benefit	(51,252)	(2,911)
Reinstatement/change in deferred tax asset valuation allowance	530,952	27,485
Tax provision (benefit)	$ -	$ -

The components of the deferred tax asset were as follows at December 31:

	1999	1998
Deferred tax assets:		
Net operating loss carryforward	$ 721,619	$ 249,648
Deferred revenue	62,275	57,263
Deferred costs	(10,591)	(41,239)
Total deferred tax asset	773,303	265,672
Deferred tax liabilities:		
Depreciation expense	(5,464)	(8,290)
Allowance for receivables	20,495	-
Total deferred tax liabilities	15,031	(8,290)
Net deferred tax asset	788,334	257,382
Valuation allowance:		
Beginning of year	(257,382)	(229,897)
Decrease (increase) during year	(530,952)	(27,485)
Ending balance	(788,334)	(257,382)
Net deferred taxes	$ -	$ -

NOTE 11 - INCOME TAXES, continued

The net operating loss carryover is summarized below:

Year Loss Originated	Year Expiring	Amount
December 31, 1997	2012	$ 583,231
December 31, 1998	2013	80,195
December 31, 1999	2014	1,254,241
Total available net operating loss		$ 1,917,667

NOTE 12 – ACQUISITIONS

In April, 1999, CTE, a public shell, acquired all of the outstanding common stock of the Company. For accounting purposes, the acquisition has been treated as an acquisition of CTE by the Company and as a recapitalization of the Company. As a result of the recapitalization, the Company is now authorized to issue 100,000,000 shares of common stock.

On June 7, 1999, the Company acquired the assets of Page Telecomputing. As consideration, the Company issued 60,000 shares of its $.001 par value common stock. The total value of the stock issued was $90,000. The acquisition was accounted for using the purchase method of accounting. The results of operations are included in the financial statements of operations from the date of acquisition. Goodwill of $83,910 was recorded in the transaction, which is being amortized over 15 years using the straight-line method.

NOTE 13 - MANAGEMENT'S PLAN

As shown in the accompanying financial statements, the Company incurred a net loss of $1,438,895 during the year ended December 31, 1999, and $80,195 for the year ended December 31, 1998. The Company's current liabilities exceeded its current assets by $540,505 and $707,141, respectively. The ability of the Company to continue as a going concern is dependent on increasing sales and obtaining additional capital and financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management's plan to increase sales and obtain additional capital includes several specific actions. On the sales side, greater emphasis will be placed on emerging technologies such as speech-to-text, voice recognition, ASP services, and web development as these areas have higher profit margins and represent a market which is growing much more rapidly than the Company's traditional services. In the last quarter of 1999 and the first quarter of 2000 several employees, were added, which are expected to have a significant effect on sales.

For capital sourcing, management will continue the private placement offerings of common and preferred stock, which during the period from January 1, 2000 through March 16, 2000 have raised approximately $4,400,000.

No estimate has been made should management's plan be unsuccessful.

NOTE 14 – LITIGATION

The Company is party from time to time to various legal proceedings. None of these proceedings are expected to have a material impact on its financial position or results of operations.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused its Annual Report on Form 10-KSB to be signed on its behalf by the undersigned, thereunto duly authorized.

INTRACO SYSTEMS, INC.

Date: March 31, 2000

By: /s/ Jack Berger
Jack Berger, President

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/, Robert Hildreth, Jr. Robert Hildreth, Jr	Chairman of the Board	March 31, 2000
/s/ Jack Berger Jack Berger	President and Director	March 31 2000
/s /Walt Nawrocki Walt Nawrocki	Chief Executive Officer and Director	March 31, 2000
/s/ Robert Marcus Robert Marcus	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2000
/s/ William D. Hager William D.Hager	Director	March 31 2000
/s/ Benjamin W. Kreiger Benjamin W. Kreiger	Director	March 31 2000

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

FORM 10-QSB

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

For the three months ended March 31, 2000 Commission file Number 0-027073

INTRACO SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Nevada	87-0381511
(State or other jurisdiction of incorporation)	(IRS Employer Identification Number)

3998 FAU Blvd., Suite 210, Boca Raton, Florida 33431
(Address of principal executive offices)

(561) 367-0600
Registrant's telephone number, including area code:

____
(Former name or address if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all documents and reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 _______ No ___X___

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

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

Yes ___X___ No _______

APPLICABLE ONLY TO CORPORATE ISSUERS

On April 30, 2000, the Registrant had outstanding 16,325,469 shares of common stock, $.001 par value.

INTRACO SYSTEMS, INC.
INDEX TO THE FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2000

Intraco Systems, Inc.
Balance Sheet as of March 31, 2000 (Unaudited)

Assets

Current Assets	
Cash	$ 3,964,128
Accounts Receivable, net	556,403
Inventory	20,090
Prepaid Expenses	167,284
Total Current Assets	$ 4,707,905
Property & Equipment, Net	$ 341,765
Other Assets:	
Due from shareholder	2,800
Goodwill	82,261
Deposits	15,064
License Agreement, net	44,000
Total Other Assets	$ 144,125
Total Assets	$ 5,193,795

Liabilities And Stockholders' Equity

Current Liabilities:	
Accounts payable	$ 191,961
Deferred revenue	286,707
Accrued expenses	147,458
Customer deposits	1,500
Capital lease payable	40,637
Note payable	12,379
Stock issuance cost payable	254,840
Total current liabilities	$ 935,482
Stockholders' Equity:	
Series A convertible redeemable preferred stock, $0.001 par value, 2,500,000 shares authorized and 767,400 shares issued and outstanding, 7%	$ 767
Series B convertible redeemable preferred stock, $0.001 par value, 1,700,000 shares authorized and 989,000 shares issued and outstanding, with a $1.00 per share preference value and $.997 for subscriptions over $100,000	989
Common stock, $.001 par value, 100,000,000 shares authorized, 16,655,656 shares issued and outstanding	16,655
Additional paid-in capital	7,225,921
Subscription receivable	(446,300)
Accumulated deficit	(2,566,719)
Outstanding stock options	27,000
Total stockholders' equity	4,258,313
Total liabilities and stockholders' equity	$ 5,193,795

See accompanying notes to condensed financial statements.

Intraco Systems, Inc.
Statement of Operations

	Three Months Ended March 31,2000 (Unaudited)	Three Months Ended March 31, 1999 (Unaudited)
Revenues:		
Systems/Networks	$ 1,269,496	$ 520,908
Service Contracts	218,368	244,064
Total Revenues	$ 1,487,864	$ 764,972
Cost of Revenues:		
Systems/Networks	$ 1,077,419	$ 450,045
Service Contracts	97,739	117,061
Total Cost of Revenues	$1,175,158	$ 567,106
Gross Profit	$ 312,706	$ 197,866
General and Administrative	798,249	367,682
Profit (Loss) From Operations	$ (485,543)	$(169,816)
Interest Income	8,576	112
Interest Expense	(8,238)	(7,948)
Other Income	2,788	-
Loss Before Income Taxes	$ (482,417)	$ (177,652)
Provision (benefit) for Income Taxes	-	-
Net Loss	$ (482,417)	$ (177,652)
Net Loss Per Share (Basic and Diluted)	$ (0.04)	$ (0.02)
Weighted Average Number of Shares Outstanding and to be Issued	$ 13,745,374	$ 9,665,200

See accompanying notes to condensed financial statements.

Intraco Systems, Inc.
Statement of Cash Flows

	For the three months ended March 31, 2000	1999
Cash flows from operating activities:		
Net loss	$ (482,417)	$ (177,652)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	24,130	4,801
Changes in assets and liabilities		
(Increase) decrease in:		
Inventory	(3,412)	(12,329)
Accounts receivable	(20,981)	(33,947)
Prepaid expenses	(80,889)	19,876
Due from related parties	-	124,243
Increase (decrease) in:		
Accounts payable	(833,991)	197,436
Deferred revenue	121,213	(69,835)
Customer deposits	(2,400)	(172,195)
Accrued expenses	147,459	33,191
Net cash used by operating activities	$ (1,131,288)	$ (86,411)
Cash flows from investing activities:		
Purchase of property and equipment	(125,457)	(145)
Investment in intangibles	(50,000)	-
Net cash used by investing activities	(175,457)	(145)
Cash flows from financing activities:		
Proceeds from issuance of stock, net	5,267,695	299,422
Dividends paid	(34,861)	(1,063)
Repayment of long-term debt	(113,686)	(52,861)
Net cash provided by financing activities	5,119,148	245,498
Net increase in cash	3,812,403	158,942
Cash at beginning of period	151,725	32,245
Cash at end of period	$ 3,964,128	$ 191,187
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 8,238	$ 7,948
Non-cash transactions affecting financiang activities:		
Common stock issued for note	$ -	$ 866,300
Accrued stock issuance cost	$ 254,840	$ -

See accompanying notes to condensed financial statements.

INTRACO SYSTEMS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation of the results for the interim periods presented have been included.

These results have been determined on the basis of generally accepted accounting principles and practices applied consistently with those used in the preparation of the Company's Annual Financial Statements for the year ended December 31, 1999. Operating results for the three months ended March 31, 2000, are not necessarily indicative of the results that may be expected for the year ending December 31, 2000.

It is recommended that the accompanying condensed financial statements be read in conjunction with the financial statements and notes thereto included elsewhere in this filing.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	March 31, 2000
Leasehold Improvements	$ 51,971
Equipment	427,507
Furniture and fixtures	22,260
Total Property and Equipment	501,738
Less: accumulated depreciation	(159,973)
Property and equipment, net	$ 341,765

Depreciation expense for the three months ended March 31, 2000 was $16,746.

NOTE 3 – STOCKHOLDERS' EQUITY

In March 1999, the Company sold 866,300 shares of $0.001 par value common stock to an investment company at $1.00 per share. At March 31, 2000, the Company holds an interest-bearing note of $446,300 from the investment company.

In April 1999, CTE, a public shell, acquired all of the outstanding common stock of the Company. For accounting purposes, the acquisition has been treated as an acquisition of CTE by the Company and as a recapitalization of the company. As a result of the recapitalization, the Company is now authorized to issue 100,000,000 shares of common stock.

In March 2000, the Company sold 160,000 shares of $0.001 par value common stock to an investor at a cost of $1.25 per share with 30,000 warrants exercisable at $0.75 per warrant. The Company sold 3,474,667 units for $1.50 per unit; each unit consists of one share of common stock and one warrant exercisable at $1.50 per warrant. Fees associated with the offerings consisted of cash, warrants, and common stock.

PART I

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

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The following discussion regarding the Company and its business and operations contains "forward-looking statements" within the meaning of Private Securities Litigation Reform Act 1995. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements, including no history of profitable operations, competition, risks related to acquisitions, difficulties in managing growth, dependence on key personnel and other factors discussed under "Factors That May Affect Future Results" in the Company's Form 10-KSB. The Company does not have a policy of updating or revising forward-looking statements and thus it should not be assumed that silence by management over time means that actual events are bearing out as estimated in such forward looking statements.

The following discussion and analysis should be read in conjunction with the financial statements appearing as Item 1 to this Report. These financial statements reflect the operations of Intraco Systems, Inc. for the three months ended March 31, 2000 and 1999.

<u>Results of Operations</u>
<u>General</u>

Intraco is an integrator of advanced speech recognition technologies and believes it is well positioned to remain a leading provider of voice enabled solutions. Intraco's competitive advantage lies in its unique ability to combine extensive in-house expertise with leading speech recognition technologies (i.e. voice browsers, natural language engines) to create first-to-market, comprehensive commercial solutions. Intraco plans to deliver these high value, high margin, advanced technology solutions to small- and mid-sized businesses such as websites/e-commerce companies and catalog-based retailers and larger businesses such as telecommunications companies. Ultimately, these solutions will voice enable a wide range of applications such as websites e-commerce, catalog ordering, auctioning, paging, e-mail and unified messaging.

Intraco is currently seeking to execute an aggressive growth strategy which includes both internal (product, sales and marketing expansion) and external (mergers and acquisitions) strategies. Intraco is currently seeking to acquire companies in the Telecommunications, Internet Development and Network Systems Integration areas. Additionally, Intraco, through relationships it has established with Motorola, Unisys and Phonetic Systems, will incorporate new products and technologies into its product offering including phone access to Internet websites and voice recognition driven auto-attendant products.

Intraco was incorporated in Florida in March 1990. In April 1999, Intraco completed an exchange agreement with Custom Touch Electronics, Inc. ("CTE"), a Nevada corporation with no material operations whose common stock traded on the OTC Bulletin Board, pursuant to which all outstanding shares of Intraco capital stock were exchanged for 10,531,500 CTE shares. The prior shareholders and promoters of CTE hold 2,429,489 shares and the Intraco shareholders at the time of the exchange hold 10,531,500 shares. As a result, Intraco Systems became a wholly-owned subsidiary of CTE and CTE changed its name to Intraco Systems, Inc. All references in this document to "Intraco" refer to the Nevada parent and the Florida subsidiary.

Results of Operations

Revenues. Revenues increased 94.5% from $764,972 for the three months ended March 31, 1999 to $1,487,864 for the three months ended March 31, 2000. This increase was primarily due to a $748,588 increase in systems/networks revenues offset by a decrease of $25,696 in service contract revenues. Systems network revenues accounted for approximately 85% of revenues in the 2000 period compared to 68% in the 1999 period.

Cost of revenues. Cost of revenues increased 107.2% to $1,175,158 for the three months ended March 31, 2000 as compared to $567,106 for three months ended March 31, 1999. Cost of systems were $1,077,419 or 84.9% of systems revenues for the three months ended March 31, 2000, compared to $450,045 or 86.4% of systems revenue for the corresponding period in 1999. Cost of service contracts were $97,739 or 44.8% of service contract revenue for the three months ended March 31, 2000, compared to $117,061 or 48.0% for the corresponding period in 1999. Intraco continues to be impacted by the margin pressure on hardware being experienced throughout the industry. Intraco expects this situation to improve as a greater proportion of sales comes from the newer product offerings. These include computer telephony, speech recognition, application service provider (ASP) and others. Although there can be no assurance that this strategy will prove successful, management believes it is necessary for Intraco's long term viability.

Selling, general and administrative. Selling, general and administrative expenses for the three months ended March 31, 2000 were $798,249 compared to $367,862 for the three months ended March 31, 1999, an increase of $430,567 or 117%. Of the dollar increase, $284,680 represented increased payroll costs in connection with the hiring of additional personnel to prepare Intraco to enter new markets and to deliver the new products and services, $23,957 primarily represented increased professional fees, and $39,082 represented increased insurance costs. The remaining increase was attributable to additional selling, general and administrative expenses.

Interest income. Interest income, net of interest expense, increased by $8,173 to $338 for the three months ended March 31, 2000 as compared to net interest expense of $7,836 for the three months ended March 31, 1999.

Net loss. As a result of the foregoing, Intraco reported a net loss of $482,417 for the three months ended March 31, 2000 compared to a net loss of $177,652 for the three months ended March 31, 1999, an increase of $304,765.

Liquidity and Capital Resources

Intraco has incurred significant losses and has substantial negative cash flow from operations. Intraco's independent auditors have included a footnote in their annual report for the year ended December 31, 1999, which expresses concern about Intraco's ability to continue as a going concern unless sales increase and/or additional investment capital is raised. Intraco expects significant operating losses to continue at least during the first half of 2000. During the three months ended

March 31, 2000, Intraco received approximately $5.4 million from equity private placements and is currently offering preferred stock to institutional investors in a private offering. Intraco will require additional funding to cover current operations and the implementation of its business plan. There can be no assurance that additional funds will be raised through these offerings or otherwise.

At March 31, 2000, Intraco's current assets were $4,707,905 and current liabilities were $935,482. There were no long term liabilities. Management is aggressively seeking to raise additional investment capital, both for working capital (current obligations) as well as to finance its growth and acquisition strategy. Although there can be no assurance that management will be successful in securing the needed capital, management is in discussion with potential investors and is optimistic that additional funding will be available.

Intraco had $3,964,128 of cash on hand at March 31, 2000, compared to $151,725 at December 31, 1999. Net cash used in operations for the three months ended March 31, 2000, was $1,131,288. Of this, $833,991 was used to pay down overdue trade payables and $113,686 to repay debt. The deficit was funded by the sale of common stock.

Intraco intends to pursue expansion and acquisition plans, which may include the opening of additional facilities, both domestically and internationally, as well as the acquisition of additional facilities and/or companies. The success and timing of any such plans and required capital expenditures are unpredictable and Intraco has no current arrangements with respect to any such acquisition. Funding for such plans could be a combination of issuance of additional equity, additional borrowings and profits from operations. Intraco cannot make any assurances that such funding would become available for such plans. Also, because Intraco is operating at a loss, it will need to secure additional funding to continue existing operations. No assurance can be made that such funding will be forthcoming and if forthcoming, be available at reasonable rates.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Banker's Leasing Association filed a suit against Intraco and Jack Berger in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida for breach of a Master Lease Agreement and personal guaranty related to computer equipment, software and services leased by Intraco for the amount of $71,608. Intraco filed a counterclaim based on Banker's failure to provide services agreed to in the lease and breach of fiduciary duty. Banker's has answered Intraco's counterclaim and has now filed suit against AIM Solutions, Inc., as successor to Enterprises Solutions Group, Inc., the third party responsible for setting up the computer equipment and software and providing services. In its answer, AIM has denied Banker's allegations and has raised affirmative defenses. Discovery has not yet commenced.

Item 2. Changes in Securities

During the three months ended March 31, 2000, Intraco sold 3,474,667 units for $4,805,799 net of cash fees to a total of 11 accredited investors. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock at $1.50. The sale of the units was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as a transaction not involving a public offering.

During the three months ended March 31, 2000 Intraco sold 160,000 shares of restricted common stock for $200,000 to one accredited investor. The sale was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as a transaction not involving a public offering.

During the three months ended March 31, 2000 Intraco issued 196,560 shares of restricted common stock as payment of fees.

Item 3. Defaults from senior securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K
(a) Exhibits required by Item 601 of Regulation S-B -- none
(b) None

SIGNATURES

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

INTRACO SYSTEMS, INC.

Dated: May 11, 2000

By: /s/ Jack Berger
Jack Berger President

intraco
SYSTEMS, INC.

3998 FAU Blvd. ● Suite 210 ● Boca Raton, FL 33431 ● USA ● P: 561.367.0600 F: 561.367.9376

Thursday, May 11, 2000

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770

DEPOSIT D296 DATE MAY 22 2000

000603-TX

Dear Sir/Madam,

Intraco Systems, Inc. is leading the way into the new world of Voice Over IP (VOIP) communications solutions. Intraco has built its solid reputation by bringing together the converging technologies of voice, data, and Web; and delivering highly valued integrated solutions for its clients throughout the State of Florida and the world. Through its new Virtual Office Application Service Provider (VOASP) business model, Intraco will deliver a wide range of new products and services, in the past, financially unattainable to small and medium size businesses.

In this vein, Intraco Systems, Inc. respectfully submits the attached application for authority to provide Alternative Local Exchange Service within the State of Florida. The Florida Public Service Commission requires financial documentation and written explanations of Intraco's financial, managerial, and technical capabilities to offer service. For this, please see attached Securities and Exchange Commission Form 10-SB, Form 10-QSB, and Form 10-KSB. All required information can be found in these documents.

If there are any questions or additional documentation is required, please contact Kelly Heatherman at the address and number above.

INTRACO SYSTEMS, INC.
OPERATING ACCOUNT
3998 FAU BOULEVARD, SUITE 210
BOCA RATON, FL 33431

NATIONSBANK
BOCA RATON, FL 33432
63-4/630

1172

CHECK DATE	CONTROL NUMBER	AMOUNT
May 16, 2000	1172	*********$250.00

Memo:

PAY Two Hundred Fifty and 0/100 Dollars

TO THE ORDER OF
Florida Public Svc Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

DOCUMENT NUMBER-DATE
06177 MAY 18 8

AUTHORIZED SIGNATURE

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

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