

Edgar Filing: JPAL INC - Form 10QSB/A

JPAL INC
Form 10QSB/A
May 28, 2002

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

FORM 10-QSB, Amendment No.1

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

() 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: 000-32319

JPAL, Inc.

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

Nevada

(State or other jurisdiction of incorporation or organization)

33-0851302

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

17620 Oak Street, Fountain Valley, California, 92708

(Address of principal executive offices)

(714) 785.2095

(Issuer's Telephone Number)

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date. As of May 20, 2002, there were 8,645,260 shares of the issuer's \$.001 par value common stock issued and outstanding.

Edgar Filing: JPAL INC - Form 10QSB/A

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

JPAL, INC.

INDEX

Financial Statements	PAGE

Condensed Balance Sheet as of March 31, 2002	3
Condensed Statements of Operations for the three months ended March 31, 2002 and 2001	4
Condensed Statements of Cash Flows for the three months ended March 31, 2002 and 2001	5
Notes to Condensed Financial Statements	7

2

JPAL, INC.

CONDENSED BALANCE SHEET

MARCH 31, 2002

(unaudited)

ASSETS

Current assets

Cash and cash equivalents	\$	4,885
Prepaid expenses		3,187

Edgar Filing: JPAL INC - Form 10QSB/A

Total current assets	8,072
Property and equipment, net of accumulated depreciation of \$1,722	1,331
Accrued interest on notes receivable	59,580
Notes receivable - Essential Reality, LLC	2,525,000
Total assets	\$ 2,593,983
=====	
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Notes payable, net of deferred interest	\$ 860,835
Accrued interest payable	71,089
Accounts payable	13,771
Total current liabilities	945,695
Long-term liabilities	
Notes payable	1,634,000
Total liabilities	2,579,695

Commitments and contingencies	
Stockholders' equity	
Preferred stock, \$.001 par value	
5,000,000 shares authorized	
No shares issued or outstanding	---
Common stock, \$.001 par value;	
50,000,000 shares authorized,	
8,645,260 shares issued and outstanding at March 31, 2002	
and December 31, 2001	1,729
Additional paid-in capital	1,434,635
Accumulated deficit	(1,422,076)
Total stockholders' equity	14,288
Total liabilities and stockholders' equity	\$ 2,593,983
=====	

See the accompanying notes to these unaudited
condensed financial statements

3

JPAL, INC.

CONDENSED STATEMENTS OF OPERATIONS

(unaudited)

Edgar Filing: JPAL INC - Form 10QSB/A

	Three Months Ended M	

	2002	

REVENUES		
Rental commissions	\$	---
		\$

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE		
		26,525

OTHER (INCOME) EXPENSE		
Interest income		(39,965)
Interest expense		747,475
Depreciation		146

		707,656

LOSS BEFORE PROVISION FOR INCOME TAXES		(734,181)

PROVISION FOR INCOME TAXES		---

NET LOSS	\$	(734,181)
		\$
	=====	
BASIC LOSS PER SHARE	\$	(0.08)
		\$
	=====	
DILUTIVE LOSS PER SHARE	\$	(0.08)
		\$
	=====	
BASIC AND DILUTIVE WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING		8,645,260
	=====	

See the accompanying notes to these unaudited condensed financial statements

4

JPAL, INC.

CONDENSED STATEMENTS OF CASH FLOWS

(unaudited)

Edgar Filing: JPAL INC - Form 10QSB/A

	Three Months En
	----- 2002 -----
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (734,181)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation	146
Goods and services and rent provided in exchange for additional paid-in capital	1,200
Deferred interest	702,210
Changes in assets and liabilities	
Increase in accrued interest on notes receivable	(39,965)
Increase in prepaid expenses	(3,066)
Increase in accounts payable	8,906
Increase in accrued expenses	45,265

Net cash used in operating activities	(19,485)

CASH FLOWS FROM INVESTING ACTIVITIES	
Issuance of notes receivable	(1,025,000)

Net cash used in investing activities	(1,025,000)

CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of notes payable	1,047,600

Net cash provided by financing activities	1,047,600

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,115
CASH AND CASH EQUIVALENTS, beginning of period	1,770

CASH AND CASH EQUIVALENTS, end of period	\$ 4,885
	=====

See the accompanying notes to these unaudited condensed financial statements

5

JPAL, INC.

CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)

(unaudited)

Edgar Filing: JPAL INC - Form 10QSB/A

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	Three Months End	
	----- 2002 -----	
Cash paid during the period for interest	\$	---
Cash paid during the period for income taxes	\$	---

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS

During the period ended March 31, 2002, the Company recorded rent of \$1,200 and additional paid-in capital of \$1,200 for rent provided by a stockholder.

During the period ended March 31, 2002, the Company had \$1,047,600 of proceeds from notes payable, of which \$538,887 has been assigned to the value of the warrants and has been recorded as additional paid-in capital.

During the period ended March 31, 2001, the Company recorded rent and computer services of \$750 and \$3,000, respectively, and additional paid-in capital of \$3,750 for rent and services provided by a stockholder.

During the period ended March 31, 2001, the Company recorded legal and accounting expense of \$2,705 and \$3,150, respectively, and additional paid-in capital of \$5,855 for services paid directly by a stockholder.

See the accompanying notes to these unaudited condensed financial statements

6

JPAL, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

MARCH 31, 2001 AND 2000

(unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements reflect the results of operations for JPAL, Inc. and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring accruals

Edgar Filing: JPAL INC - Form 10QSB/A

and adjustments considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. For further information, refer to the financial statements and footnotes thereto included in JPAL, Inc.'s Annual Report on Form 10-KSB/A for the year ended December 31, 2001 filed with the Securities and Exchange Commission (SEC) on May 8, 2002.

JPAL, Inc. (the "Company") was incorporated in the state of Nevada on March 31, 1999 to operate as an Internet based provider of vacation rental properties and services with an elected December 31st fiscal year end. A majority of the services are to properties located in Nevada.

During the year ended December 31, 2001, the Company abandoned the development of their Internet services to provide vacation rental properties and services. The Company is currently entered into a contribution agreement with another company that may result in a merger with that company.

The Company has experienced net losses since its inception and had an accumulated deficit of approximately \$1,422,000 at March 31, 2002. Such losses are attributable to cash losses resulting from costs incurred in the development of the Company's services and infrastructure. The Company expects operating losses to continue for the foreseeable future as it continues to seek alternative business opportunities.

NOTE 2 - INCOME TAXES

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109 ("SFAS 109"). This statement mandates the liability method of accounting for deferred income taxes and permits the recognition of deferred tax assets subject to an ongoing assessment of realizability.

7

NOTE 2 - INCOME TAXES

The components of the Company's income tax provision consist of:

	Three Months End
	----- 2002 -----
Federal taxes (deferred) net operating loss benefit	\$ (111,500)
Change in valuation account	111,500
	----- \$ --- =====

Deferred income taxes are provided for timing differences in the recognition of certain income and expense items for tax and financial statement purposes. The tax effect of the temporary differences giving rise to the Company's deferred tax assets and liabilities as of March 31, 2002 are as follows:

Edgar Filing: JPAL INC - Form 10QSB/A

Deferred income taxes
Net operating loss benefit
Valuation allowance

The Company has federal net operating loss carryforwards of approximately \$688,000 that will expire through 2021.

The Company's tax reporting year end is December 31st. If the Company has a net operating loss carryforward from operations for the year ended December 31, 2002, it will expire in 2022.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company is currently utilizing office space provided by the Company's president (a stockholder). During the period ended March 31, 2002 and 2001, the Company has recorded rent expense of \$1,200 and \$750, respectively, which represents the Company's pro rata share of the office space being provided by the Company's president. During the period ended March 31, 2001, the Company has also recorded computer consulting services of \$3,000 which were provided by the Company's president. The services were valued using hourly rates at estimated fair market value of similar services. During the period ended March 31, 2001, the Company has recorded legal and accounting fees of \$2,705 and \$3,150, respectively. These services were paid for by the Company's president. The president has waived reimbursement of the allocated rent, computer consulting services, legal and accounting services provided and has considered them as additional paid-in capital.

8

NOTE 4 - NOTES PAYABLE

The Company has several unsecured notes payable with interest rates ranging from 8.00% to 8.50%. Notes totaling \$550,000 which have a weighted average interest rate of 8.50 % will mature on the earliest of (i) January 15, 2002 or (ii) the sale or exchange of all or substantially all of the outstanding shares of common stock. Notes totaling \$425,000 which have a weighted average interest rate of 8.50 % will mature on the earliest of (i) March 1, 2002 or (ii) the sale or exchange of all or substantially all of the outstanding shares of common stock. As of May 15, 2002, these notes and accrued interest have not been repaid. The note holders have not called the notes. In the event that a note is called, other note holders have agreed to fund the Company to satisfy its debt. Notes totaling \$1,634,000 which have a weighted average interest rate of 8.49% were originally scheduled to mature in 2002 but have subsequently been revised to mature on the earliest of (i) January 31, 2003 or (ii) the sale or exchange of all or substantially all of the outstanding shares of common stock. The total amount of notes payable was \$2,609,000 at March 31, 2002. Interest expense on these notes during the three months ended March 31, 2002 was \$45,265. For the three months ended March 31, 2002, the Company issued warrants valued at \$538,887 to acquire 419,040 shares of JPAL, Inc.'s common stock at a purchase price of \$3.00 per share in connection with the issuance of these notes payable. The value of such warrants has been reflected as a discount to the related notes payable, and is being amortized to interest expense over the original terms of the notes. Deferred interest of \$702,210 has been amortized as interest expense

Edgar Filing: JPAL INC - Form 10QSB/A

during the three months ended March 31, 2002. The remaining balance of deferred interest of \$114,165 has been netted with the outstanding principal balance of the current notes payable.

\$2,525,000 of the proceeds from these notes has been advanced to Essential Reality, LLC with which the Company is in the process of negotiating a merger agreement (Note 5). The note receivable is unsecured and bears an interest rate of 8.50%, however, interest did not begin to accrue until January 31, 2002. Imputed interest was \$39,965 for the three months ended March 31, 2002 which is included in other income. The following is a schedule of maturity dates of these notes receivable:

Principal	Maturity Date
\$ 1,950,000	January 1, 2004
200,000	February 12, 2004
225,000	February 28, 2004
150,000	March 20, 2004
\$ 2,525,000	

Principal together with accrued interest is due on the earliest of (i) the above schedule of maturity dates, (ii) the closing of the transactions contemplated by the agreement dated August 23, 2001 (Note 5) or (iii) the sale or exchange of all or substantially all of the membership interests of Essential Reality.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Company has entered into an agreement with Essential Reality, LLC ("Essential Reality") dated August 23, 2001 whereas the Company and Essential Reality have agreed to a business combination. This agreement was amended on April 24, 2002.

The following is a summary of the proposed business combination. This summary is qualified by the more detailed description appearing in the Company's Preliminary Proxy Statement on Form PRE 14A filed with Securities Exchange Commission on May 9, 2002. Upon closing of the agreement, (a) the Company intends to issue up to 17,280,000 shares of our common stock in exchange for all of the outstanding membership interests of Essential Reality, including 9,600,000 shares to be issued to Essential Reality's current members. As a result of this transaction, the Company will acquire and assume the business of Essential Reality. (b) Essential Reality will consummate a private placement of its membership interests prior to the exchange transaction, which will be contributed to the Company in exchange for shares of the Company's common stock. Essential Reality may sell up to 7,680,000 of its membership interests in its private placement. (c) Upon completion of the exchange transaction, the Company's business will be the business currently being conducted by Essential Reality. (d) The Company's shareholders will not receive any cash, stock or other property in connection with, or as a result of, the exchange transaction. (e) Shareholder approval of the proposed business combination will require the affirmative vote of a majority of the Company's outstanding shares of common stock. The Company's controlling Shareholder has already informed the Company that he will be voting in favor of the proposal. The number of votes held by the

Edgar Filing: JPAL INC - Form 10QSB/A

controlling Shareholder is sufficient to satisfy the Shareholder vote requirement for the proposed business combination. Therefore, no additional votes will be needed to approve the proposed business combination.

The Company currently holds several notes receivable due from Essential Reality. These notes bear an interest rate of 8.50% and will mature on the earliest of (i) the schedule of maturity dates in Note 4, (ii) the closing of the transactions contemplated by the agreement dated August 23, 2001 or (iii) the sale or exchange of all or substantially all of the membership interests of Essential Reality. However, none of the events have occurred. The Company has not generated any revenues which could have a significant adverse affect on the Company's ability to repay its debt. In addition, \$550,000 and \$425,000 of the notes payable which were due on January 15, 2002 and March 1, 2002, respectively, have not been paid. The Company is currently negotiating with these note holders to extend the due date of these notes. Certain of the long-term note holders have executed letters to the Company indicating that they could fund the Company to repay the short term notes if the need arises.

10

Item 2. Plan of Operation

This following information specifies certain forward-looking statements of management of the company. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "will", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

We were originally formed to provide vacation rental properties and services for the Year 2000 New Year's Eve celebration in Las Vegas, and continued to provide vacation rental properties and services after the Year 2000 New Year's Eve celebration. We generated revenues of approximately \$6,793 through December 31, 1999, and \$3122 through December 31, 2000. As an Internet based provider of vacation rental properties and services, we had been in the process of redesigning our website to provide a wide range of services to both vacationers and property owners. Our primary source of revenue was property rental fees, which were charged to the property owners as a percentage of the vacationers'

Edgar Filing: JPAL INC - Form 10QSB/A

total rental price. Those fees were our primary source of revenue, although we also attempted to generate additional revenue sources such as Internet advertising.

In August 2001, we suspended further development of our website that was intended to provide vacation rental properties and services because we entered into a contribution agreement with Essential Reality LLC, a Delaware limited liability company. Essential Reality LLC is a privately held New York-based technology firm specializing in the development of innovative computer and game console peripherals. Essential Reality LLC is positioning itself to take advantage of the opportunities in this marketplace with the development of its first product, P5(TM), a 3D input device capturing finger-bend and relative hand-position to enable intuitive interaction with 3D environments. P5(TM) is designed as a low-cost natural interface for the computer, game consoles and other USB-compatible 3D-software platforms. The product will utilize a patented bend sensor technology to accurately determine the bend of the user's five fingers. In addition, P5(TM) will track the relative position of the hand in space.

The original contribution agreement provided that we issue 11 million shares of our common stock to the current shareholders of Essential Reality LLC in exchange for all of the equity interests of Essential Reality LLC. The consummation of the transaction was contingent on a number of factors, including, but not limited to, that we raise a minimum of \$4.5 million dollars. On April 24, 2002, we entered into an amended contribution agreement with Essential Reality LLC. The amended contribution agreement provides that Essential Reality LLC will consummate a private placement of its membership interests prior to the exchange. Essential Reality LLC may sell up to 7,680,000 of its membership interests in its private placement. We intend to issue up to 17,280,000 shares of our common stock in exchange for all of the outstanding membership interests of Essential Reality LLC.

11

Three Month Period Ended March 31, 2002, Compared to the Three Month Period Ended March 31, 2001.

Liquidity and Capital Resources. We had cash of \$4,885 and prepaid expenses of \$3,187 as of March 31, 2002. As of March 31, 2002, our total assets were \$2,593,983, of which approximately \$2,525,000 was in the form of notes receivable due from Essential Reality LLC, and \$59,580 was accrued interest in notes receivable from Essential Reality LLC. Our total liabilities were approximately \$2,579,695 as of March 31, 2002. Our total current liabilities for the three month period ended March 31, 2002 was \$945,695, which was represented by \$860,835 for notes payable, net of deferred interest, \$71,089 which represented accrued interest payable, and \$13,771 which represented accounts payable.

We have several unsecured notes payable in order to memorialize certain bridge financings relating to the contemplated transaction with Essential Reality LLC. Those unsecured notes payable have a weighted average interest rate of 8.50%. Notes totaling \$550,000 will mature on the earliest of (i) January 15, 2002, or (ii) the sale or exchange of all or substantially all of the outstanding shares of common stock. Notes totaling \$425,000 will mature on the earliest of (i) March 1, 2002, or (ii) the sale or exchange of all or substantially all of the outstanding shares of common stock. As of May 15, 2002, those notes and accrued interest have not been repaid. The note holders have not called the notes. In the event that one of those notes is called, other notes holders have agreed to

Edgar Filing: JPAL INC - Form 10QSB/A

fund us to satisfy this debt.

Notes totaling \$1,634,000, which have a weighted average interest rate of 8.49%, will mature on the earliest of (i) January 1, 2003 or (ii) the sale or exchange of all or substantially all of the outstanding shares of common stock. The total amount of those notes payable was \$2,609,000 as of March 31, 2002. Our total interest expense on these notes during the three month period ended March 31, 2002 was \$45,265. For the three month ended March 31, 2002, we issued warrants, valued at \$538,887, to purchase 419,040 shares of our common stock at a price of \$3.00 per share in connection with the issuances of additional notes payable. The value of such warrants has been reflected as a discount to the related notes payable, and is being amortized to interest expense over the original terms of the notes. Deferred interest of \$702,210 has been amortized as interest expense during the three month period ended March 31, 2002. The remaining balance of deferred interest of \$114,165 has been netted with the outstanding principal balance of the current notes payable. Therefore, our current notes payable, net of deferred interest, was \$860,835 as of March 31, 2002. Our long term liabilities were represented solely by long term notes payable, which were \$1,634,000 as of March 31, 2002.

Pursuant to the contribution agreement, we have loaned \$2,525,000 of the proceeds from those notes payable to Essential Reality LLC. The notes from Essential Reality LLC are unsecured and bear interest of 8.5%; however, interest did not begin to accrue until January 31, 2002. Imputed interest was \$39,965 for the 3 months ended March 31, 2002, which is included in other income. The following is a schedule of maturity dates of these notes receivable:

Principal	Maturity Date
-----	-----
\$ 1,950,000	January 1, 2004
200,000	February 12, 2004
225,000	February 28, 2004
150,000	March 20, 2004

\$ 2,525,000	
=====	

The principal together with accrued interest is due on the earliest of (i) the above schedule of maturity dates, (ii) the closing of the transactions contemplated by the contribution agreement, or (iii) the sale or exchange of substantially all of the membership interests of Essential Reality LLC. Although none of those events have occurred, we believe that this note is collectible because of the financial backing of the members of Essential Reality LLC and projected cash flows from their future operations. In addition, certain of our note holders have indicated that they will fund us if the need arises.

Results of Operations.

Revenue. For the three month period ended March 31, 2002, we generated no revenues, compared to revenues of approximately \$399 during the three month period ended March 31, 2001, which were generated from rental commissions. The decline in our revenues is due to the fact that we have suspended the redevelopment of our website and all marketing activities because of our pending

Edgar Filing: JPAL INC - Form 10QSB/A

acquisition of Essential Reality LLC. We do not expect that we will generate any significant revenues until such time as we complete the acquisition of Essential Reality LLC.

Operating Expenses. For the three month period ended March 31, 2002, our total expenses increased to \$734,181 from \$14,437 for the three month period ended March 31, 2001. For the three month period ended March 31, 2002, our selling, general and administrative expenses totaled \$26,525, compared to \$14,291 for the period ended March 31, 2001. The increases in our total expenses and our general and administrative expenses are due to the contemplated acquisition of Essential Reality LLC. We anticipate that we will continue to incur significant general and administrative expenses with respect the contemplated acquisition of Essential Reality LLC.

Our other expenses totaled \$707,656 for the three month period ended March 31, 2002. Other expenses included \$747,475 for interest expense and \$146 in depreciation expense, less \$39,965 in interest income. Interest expense includes the interest of \$45,265 due on the notes payable during the three month period ended March 31, 2002, and the deferred interest of \$702,210 from the valuation of the warrants. The value of the warrants, which has been reflected as a discount to the related notes payable, and is being amortized to interest expense over the original terms of the notes. Deferred interest of \$702,210 has been amortized as interest expense during the three month period ended March 31, 2002. Therefore, our net loss was \$734,181 for the three month period ended March 31, 2002, compared to a net loss of \$14,038 for the period ended March 31, 2001.

Our Plan of Operation for the Next Twelve Months. Our plan of operation is dependent on our ability to complete the acquisition of Essential Reality LLC or complete the redevelopment of our website so that we can generate more revenues. If we are unable to complete the acquisition of Essential Reality LLC, then we intend to complete the redevelopment of our website.

In the opinion of management, available funds will satisfy our working capital requirements for the next twelve months. Our forecast for the period for which our financial resources will be adequate to support our operations involves risks and uncertainties and actual results could fail as a result of a number of factors. We will need to raise additional capital to complete the acquisition of Essential Reality LLC. Such additional capital may be raised through public or private financing as well as borrowings and other sources. We cannot guaranty that additional funding will be available on favorable terms, if at all.

We are not currently conducting any research and development activities. We do not anticipate conducting any other such activities in the next twelve months, unless we complete the acquisition of Essential Reality LLC. We do not anticipate that we will purchase or sell any significant equipment in the next six to twelve months unless we complete the acquisition of Essential Reality LLC. We do not anticipate that we will hire any employees in the next six to twelve months, unless complete the acquisition of Essential Reality LLC.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Edgar Filing: JPAL INC - Form 10QSB/A

Item 2. Changes in Securities.

For the three month ended March 31, 2002, we issued 419,040 warrants to purchase 419,040 shares of our common stock at a price of \$3.00 per share in connection with the issuances of additional notes payable.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to Vote of Security Holders

A special meeting was held on February 1, 2002 for the following purposes:

1. To consider and vote upon a proposal to approve the Contribution Agreement, dated as of August 23, 2001, between us and Essential Reality, LLC, a copy of which was attached as Exhibit A to our Definitive Proxy Statement filed January 14, 2002;
2. To approve an amendment to our Articles of Incorporation, a copy of which was attached as Exhibit B to our Definitive Proxy Statement filed January 14, 2002, in order to change our name to Essential Reality, Inc.;
3. To approve an amendment to our Articles of Incorporation, a copy of which was attached as Exhibit B to our Definitive Proxy Statement filed January 14, 2002, to provide for "blank check" preferred stock; and
4. To approve our 2001 Stock Incentive Plan, a copy of which was attached as Exhibit C to our Definitive Proxy Statement filed January 14, 2002; and
5. To approve the appointment of Deloitte & Touche LLP as our independent auditors for the fiscal year ended December 31, 2001.

Our stockholders will not receive any cash, stock or other property in connection with, or as a result of, this transaction, however, after the transaction is consummated, the owners of Essential, LLC will own approximately 70% of the shares of our common stock outstanding at the time.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

None.

Edgar Filing: JPAL INC - Form 10QSB/A

SIGNATURES

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

JPAL, Inc.,
a Nevada corporation

May 24, 2002

By: /s/ Frank Drechsler

Frank Drechsler
Its: President, Secretary, Director