CELLPOINT INC
Form 10QSB/A
January 18, 2002

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB/A

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

OR

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 000-25205

CELLPOINT INC.

(Name of small business issuer in its charter)

NEVADA	52-2032380
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3000 HILLSWOOD DRIVE, HILLSWOOD BUSINESS PARK, CHERTSEY, SURREY KT16 0RS, ENGLAND (Address of principal executive offices)	(Zip Code)

44-1932 895 310
(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: NONE.
Securities registered under Section 12(g) of the Exchange Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.001 par value	NASDAQ National Market

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

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDING DURING THE PAST FIVE YEARS)

Check whether the issuer has 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 REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of January 17, 2002, 16,355,543 shares of Common Stock, par value $.001 per share.

Transitional Small Business Disclosure Format (check one): Yes |_| No |X|

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The financial statements for the Company's first fiscal quarter ended September 30, 2001 are attached to this Report, commencing on page F-1.

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

The following discussion and analysis of our consolidated financial condition and consolidated results of operations should be read in conjunction with our consolidated financial statements and related notes thereto in our Annual Report on Form 10-KSB for the fiscal year ended June 30, 2001.

RECENT DEVELOPMENTS

UNWIRE AB AND TELEMATICS OPERATIONS IN CELLPOINT SOUTH AFRICA

On May 19, 2001, the Company approved the disposal of the telematics business segment of the Company and committed to a plan to dispose of the business. Accordingly, the telematics business segment was presented as a discontinued

operations in the balance sheets as of September 30, 2001 and June 30, 2001 and the related statements of operations and cash flows for the three months ended September 30, 2001. The related statements of operations and cash flows for the three months ended September 30, 2000, have been restated to conform with this presentation. At June 30, 2001, the Company had accrued approximately $1,100,000 for additional losses expected from the discontinued operations through the expected date of disposition. For the three months ended September 30, 2001 the Company has incurred losses of approximately $1,085,000 against the accrual. The Company does not anticipate any further significant losses. Net sales for Telematics were approximately $264,000 and $53,000 for the three-months ended September 30, 2001 and 2000, respectively.

On October 9, 2001, the Company's subsidiary, Unwire AB, filed for bankruptcy in Sweden. As a result of the filing, the Company has effectively ceased all funding of Unwire operations. The bankruptcy courts have appointed a Trustee to oversee the disbursement of Unwire's assets and the Company now effectively has no control over the operations or decision making capabilities of Unwire.

In November, 2001 CellPoint Systems SA ("Systems SA"), the Company's South African subsidiary, filed for liquidation. Systems SA operated a research and development facility for the Company. The telematics portion of Systems SA has already been included in the discontinued operations. The location services portion of Systems SA is not included in discontinued operations, and those functions are continued within the Company's Swedish subsidiary. Costs of closing this

subsidiary, primarily the write-off of the net receivable from Systems SA, were accrued in the June 30, 2001 financial statements.

RESTRUCTURING PROGRAM

On October 19, 2001 CellPoint Systems AB acquired 100% of its partly-owned development company, Micronet MLS AB in Karlskrona, Sweden, purchasing the outstanding 42% of Micronet MLS and assets with 107,142 shares of the Company's common stock. Micronet MLS AB staff has been transferred to Systems AB ensuring that all development knowledge remains in-house which provides further cost savings going forward.

Consistent with the Company's strategy to reduce operating costs within continuing operations, the United Kingdom subsidiary CellPoint Europe Ltd filed for liquidation on November 2, 2001. The Company's headquarters and all management functions will reside in its office in Kista, Sweden. A branch office will be maintained in the United Kingdom to continue serving existing and future customers.

LONG TERM DEBT

On December 6, 2000, the Company entered into an agreement whereby it issued to Castle Creek Technology Partners LLC ("Castle Creek") convertible notes in the aggregate principal amount of $10,000,000, which were originally due and payable on September 30, 2002. Interest on the debt is 6% per annum, compounded semi-annually and payable semi-annually on each June 30 and December 31. Prior to June 5, 2001, the notes were convertible, in whole or in part, at a fixed conversion price of $25 per share at the option of the holder of the debt and could be converted in exchange for all or part of the outstanding debt plus the accrued interest at the conversion date. Subsequent to June 5, 2001, the notes were convertible at the lower of $25 or 90% of the average of the five lowest volume weighted average prices during the period of twenty consecutive trading days ending on the trading day immediately prior to the date of determination. The conversion of the notes contained certain limitations as set forth in the

agreement. The Company has reserved 2,000,000 shares for the purpose of possible future conversions.

In connection with the convertible notes, the Company issued warrants exercisable immediately and expiring on December 5, 2005. The warrants grant Castle Creek the right to purchase 210,526 shares of the Company's common stock at an exercise price per share of $11.40.

On July 25, 2001, the Company entered into a note purchase, modification and forebearance agreement with Castle Creek concerning the above mentioned notes. Under the agreement, the outstanding notes were to be repurchased by the Company. The Company agreed to buy back the outstanding principal of the notes over 90 days for 86% of the remaining principal, plus accrued interest, and issued a warrant with 500,000 shares issuable upon exercise of the warrant at an exercise price of $3.14 per share and exercisable after one year for a period of four years (subject to specified anti-dilution adjustments). In addition, the Company granted to Castle Creek a security interest in its assets (including the assets of its subsidiaries), including its intellectual property. Castle Creek agreed not to trade in the Company's stock effective July 25, 2001 until the note repurchase is completed, in consideration for which Castle Creek was paid $1,000,000 as a non-refundable deposit against the final note purchase payment. The fixed conversion price of the Notes was changed to $4.00 with no floating conversion price if the notes are purchased on a timely basis and the Company complies with all its other obligations to Castle Creek in all material respects. The Company also agreed to certain limitations on the terms of future debt and equity financings, which limitations would not apply to a financing that provided the proceeds for the final purchase of the Notes.

On September 26, 2001, the Company and Castle Creek entered into an amendment of the July 25, 2001 agreement, wherein the outstanding convertible notes will be repurchased at 100% of the remaining principal and subject to a fixed conversion price of $4.00. The Company paid $2,250,000 to Castle Creek on September 26, 2001 for principal and accrued interest and is scheduled to make a final payment on October 1, 2002 for $6,105,100 plus accrued interest (subject to specified adjustments upon a material breach by the Company). The outstanding notes are prepayable in part or in whole at any time without penalty. However, if the Company is in non-compliance of the limitations on the terms of future debt and equity financing, there will be a $2,000,000 penalty and the notes will become convertible at the lower of 1) the average

closing price during the ten day period beginning five days prior to the date of the non-compliance event or (2) the lowest price of common stock or common stock equivalents sold from September 25, 2001 to the non-compliance event. The July agreement, except as modified by the amendment, remains in effect, except as further modified by the Stipulation and Order discussed below.

On November 15, 2001, the Company was served with a suit by Castle Creek, and on December 13, 2001, Castle Creek filed an amended complaint, to have its debt of in excess of $6.1 million principal plus interest declared due and payable, for a default payment of $2 million and other damages and relief. The principal issue in dispute in the litigation is the antidilution adjustment applicable to the number of shares that Castle Creek is entitled to purchase under the warrant issued in the July 25, 2001 restructuring with Castle Creek to purchase 500,000 shares of common stock (see "Legal Proceedings"). On December 19, 2001, the Company entered into a Stipulation and Order with Castle Creek providing that Castle Creek agreed to stay prosecution of this case until February 28, 2002, provided that the Company makes required prepayments on its Notes to Castle Creek of $200,000 by January 31, 2002, and an additional $550,000 by February 28, 2002 and provided, further, that the Company does not breach its agreements and

instruments with Castle Creek subsequent to the date of the Stipulation and Order. If the Company is in compliance with the provisions of the Stipulation and Order at February 28, 2002, then Castle Creek will dismiss the case with prejudice. The Company is also required to make prepayments of the Notes in an amount equal to 25% of the gross proceeds of each financing the Company closes; provided, that the maximum aggregate amount of prepayments that the Company is required to make under the Stipulation and Order prior to October 1, 2002 (the due date of the Notes) is $3,000,000.

Following the debt modifications, the Company applied the rules of EITF 96-19: "Debtor's Accounting for a Modification or Exchange of Debt Instruments." Based on the provisions of EITF 96-19 it was determined that there was not a substantial change from the original debt agreement and as such, the modified debt is shown at fair value using the new effective interest rate. The adjusted warrant was valued at approximately $700,000 and is being amortized over the remaining life of the debt. Legal fees associated with the modifications were expensed in the period.

As of September 30, 2001, Castle Creek had converted $750,000 of the notes into 270,592 shares.

Due to the beneficial conversion features associated with the financing and the amendments thereto, the Company has applied Emerging Issues Task Force ("EITF") 00-27: Application of EITF No. 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", to certain convertible instruments. In accordance with EITF 00-27 the value of the beneficial conversion feature was recorded as a reduction to the carrying amount of the convertible debt and an addition to paid-in-capital. The fair value of the warrants was recorded as a further reduction to the carrying amount and an addition to paid-in-capital. The Company therefore has recorded a total debt discount of approximately $3,514,000 and is amortizing the discount over the term of the debt. Amortization is accelerated when necessary for conversions and repayments of the debt principal. Amortization for the three-months period ended September 30, 2001 was approximately $1,121,000 and is recorded as a component of financial items.

As a result of the private placements at the end of the quarter the anti-dilution provision attached to the warrants issued on July 25, 2001 became effective. As such, the Company recalculated and adjusted the exercise price and therefore adjusted the number of shares issuable upon exercise of the warrants. This resulted in an adjusted exercise price of $1.42 and additional shares of 608,235 issuable upon exercise of the warrants. The terms of this warrant were further modified by the Stipulation and Order discussed above.

RECENT SALE OF UNREGISTERED SECURITIES

On September 25, 2001, the Company closed a private placement pursuant to which it will issue 3,250,000 shares of Common Stock for proceeds of $3,250,000. In addition, the Company will issue warrants to purchase 1,625,000 shares of Common Stock, exercisable at $2.25 per share for two years. The Company used part of the proceeds from this offering to make the required payment to Castle Creek for the repurchase of a portion of the convertible notes held by Castle Creek.

On September 25, 2001, the Company closed a placement under Regulation S for an aggregate of $2,071,130, pursuant to which the Company will issue an aggregate of 1,568,144 shares and 784,071 warrants to purchase shares of the Company's Common Stock, exercisable at $2.36 per share for two years.

As a result of the private placements, the Company had received proceeds totaling approximately $5,583,000 by September 30, 2001. Commitments totaling approximately $1,038,000 have been reported as Stock subscriptions receivable in

Stockholders' equity. Shares of the Company's Common Stock in relation to the private placements were not issued until October 2001 and thus they have been reflected in Stockholders' equity as Common Shares to be Issued at September 30, 2001.

Subsequent to the quarter end, on October 5, 2001, the Company completed the initial closing of a private placement of Common Stock and warrants pursuant to which it will issue an aggregate of 1,238,096 shares of Common Stock for proceeds of $1,300,000. In addition, the Company will issue warrants to purchase 619,048 shares of Common Stock, half of which are exercisable at $3.50 per share for twelve months following the closing, and the other half of which are exercisable at $5.00 per share for twenty-four months following the closing.

The Company filed with the Securities and Exchange Commission on October 31, 2001 and amended on November 16, 2001 and January 4, 2002, a registration statement covering all shares of Common Stock issued and issuable upon exercise of the warrants described above.

RESULTS OF CONTINUING OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2001

The results of continuing operations are reported herein for the Company's location services business. The Company's telematics division is reported as "discontinued operations".

REVENUES. In the fiscal quarter ended September 30, 2001 (the "Current Quarter"), the Company's gross revenues from continuing operations were $415,205, as compared to revenues from continuing operations of $925,553 for the fiscal quarter ended September 30, 2000 (the "Comparable Quarter"). All of the Company's revenues came from the European market. The decrease in revenues is considered to be a timing effect as the Company is currently engaged in several negotiations to close further contracts.

COST OF REVENUES. Costs incurred by the Company in producing revenues in the Comparable Quarter were mainly the costs of supplying hardware in conjunction with the sale of the previous generation of software platforms. Such costs decreased by $207,787 to $21,046 in the Current Quarter as compared to $228,833 in the Comparable Quarter. The Company's role in supplying hardware in relation to its sale of software and applications is decreasing, and accordingly, the costs of producing revenue as a percentage of revenue has decreased. Research and development expenses are recorded separately.

GROSS PROFIT. For the Current Quarter, the Company recorded a gross profit of $394,159 as compared to $696,720 gross profit in the Comparable Quarter. This decrease in gross profit is attributable to the decrease in revenues in the Current Quarter whilst the gross margin increased by 19.4% to 94.9% in the Current Quarter from 75.3% in the Comparable Quarter as a result of decreased need to supply hardware as part of the Company's product.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. The Company's selling, general and administrative expenses increased by $509,040 to $1,863,818 in the Current Quarter from $1,354,778 in the Comparable Quarter. The increase in selling, general and administrative expenses in the Company's continuing operations was primarily due to one-time costs in connection with the Company's restructuring plan. Recurring selling, general and administrative expenses are expected to decrease in future periods due to the restructuring program in place.

RESEARCH AND DEVELOPMENT EXPENSES. The Company's research and development expenses increased by $292,807 to $1,072,107 in the Current Quarter from

$779,300 in the Comparable Quarter. The increase in research and development expenses in the Company's continuing operations was due to the research and development of the new generation of software platforms for location-based services.

PROFESSIONAL FEES. Professional fees decreased by $55,823 to $165,675 in the Current Quarter from $221,498 in the Comparable Quarter. Professional fees in the Current Quarter are primarily related to costs incurred in connection with regulatory compliance.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation and amortization expense increased by $100,245 to $1,010,219 in the Current Quarter from $909,974 in the Comparable Quarter. Depreciation and amortization is primarily related to purchased technology. The amortization of the positioning technology acquired in connection with the Unwire acquisition amounts to $418,478 and $386,879 and the amortization of the original core technology amounts to $445,830 and $497,082 for the three months ended September 30, 2001 and 2000, respectively.

FINANCIAL ITEMS. Financial items resulted in an expense of $1,540,578 in the Current Quarter compared to a net expense of $149,643 in the Comparable Quarter. Interest expense was $1,392,534 in the Current Quarter, compared to $211,615 in the Comparable Quarter. The increase in interest expense was attributable to the $10,000,000 of convertible notes issued in December 2000 and the amortization of the debt discount recorded in relation to those notes and the subsequent amendments to the terms thereof resulting in non-cash expense in the Current Quarter of $1,120,945. In the Current Quarter, the Company had realized foreign exchange losses aggregating $124,453 whereas in the Comparable Quarter, the Company had net realized foreign exchange losses of $6,610. These items result primarily from exchange rate fluctuations in the currencies of the United States and Sweden.

LOSS FROM CONTINUING OPERATIONS. Loss from continuing operations for the Current Quarter was ($5,258,238) versus

($2,718,473) in the Comparable Quarter. The increase in loss from continuing operations in the Current Quarter was mainly due to the restructuring costs and the amortization of the debt discount related to the convertible notes.

LOSS FROM DISCONTINUED OPERATIONS. On July 25, 2001, the Company publicly announced its intention to sell its telematics division. On October 9, 2001, Unwire filed for bankruptcy protection under the laws of Sweden. Under accounting principles generally accepted in the United States, the results of operations for the telematics division, are presented under "Loss from Discontinued Operations" for the Comparable Quarter. The loss from "discontinued operations" of $2,628,825 represents the operating losses of the telematics division for the comparable quarter. This amount includes depreciation and amortization of $2,214,672. The loss for the discontinued operations for the Current Quarter was taken as a cost in the fiscal year-end 2001.

NET LOSS AND LOSS PER SHARE. As a result of the above, net loss was ($5,258,238) for the Current Quarter. Loss per share from continuing operations was ($0.48) based on weighted average shares outstanding of 10,982,040, while the Comparable Quarter loss per share from continuing operations was ($0.31) based upon a weighted average of 8,743,630 shares outstanding. The net loss for the Comparable Quarter was ($5,347,298) including the loss from discontinued operations of ($2,628,825).

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL. At September 30, 2001, the Company had $4,558,437 in current

assets. Cash and cash equivalents amounted to $2,312,231. Current liabilities were $8,089,064 at September 30, 2001. At June 30, 2001, the Company had $4,993,093 in current assets, of which $687,151 consisted of cash and cash equivalents. Working capital deficit at the end of the Current Quarter was ($3,530,627), as compared to ($2,408,779) at the end of Fiscal 2001. The decrease in working capital is attributable mainly to accruals for restructuring charges and the use of a bank overdraft facility.

CASH FLOW FROM OPERATIONS. For the Current Quarter, the Company used net cash in operating activities from continuing operations of $158,061 as compared to $2,512,572 for the Comparable Quarter. Net cash used in operating activities from discontinued operations was $1,079,392 in the Current Quarter, as compared to $412,787 in the Comparable Quarter. The increase in net cash provided is primarily a result of decreased operating loss before depreciation and amortization and non-cash expense related to the amortization of the debt discount in connection with convertible notes. For the current fiscal year, total operating expenses are expected to continue to decrease on a quarterly basis.

On July 25, 2001, CellPoint publicly announced the planned sale of Unwire. Selling Unwire would among other things lower the Company's burn-rate significantly and get it to cash flow positive sooner. The Company was unable to identify a purchaser for Unwire and on October 9, 2001, Unwire filed for bankruptcy protection under the laws of Sweden. The Company does not anticpate any further significant charges in relation to this bankruptcy.

CASH FLOW FROM INVESTING ACTIVITIES. For the Current Quarter, the Company had a net cash outflow from investing activities from continuing operations of $200,911 versus a net cash outflow of $82,980 in the Comparable Quarter primarily due to ongoing research and development expenses. The Company does not currently have any commitments for capital expenditures during the current fiscal year, but the Company may make such expenditures if an opportunity consistent with the Company's business strategy presents itself.

CASH FLOW FROM FINANCING ACTIVITIES. For the Current Quarter, the Company had a net cash inflow from financing activities from continuing operations of $2,897,448 versus a net cash inflow from continuing operations of $149,800 in the Comparable Quarter. The Company received net proceeds of approximately $5,583,000 from sales of equity through private placements in the Current Quarter. Proceeds were used to repay long term debt and for working capital.

The Company may require additional capital during its fiscal year ending June 30, 2002 to implement its business strategies, including cash for (i) payment of operating expenses such as salaries for employees, and (ii) further implementation of those business strategies. Such additional capital may be raised through additional public or private financing, as well as borrowings and other resources. To the extent that additional capital is raised through the sale of equity or equity-related securities, the issuance of such securities could result in dilution to the Company's stockholders. No assurance can be given, however, that the Company will have access to the capital markets in the future, or that financing will be available on

acceptable terms to satisfy the Company's cash requirements to implement its business strategies. If the Company is unable to access the capital markets or obtain acceptable financing, its future results of operations and financial conditions could be materially and adversely affected. See "Legal Proceedings" below for a description of a lawsuit filed by Castle Creek Technology Partners, LLC, which may, inter alia, substantially impair the Company's ability to raise additional capital. The Company may be required to raise substantial additional funds through other means. If adequate funds are

not available to the Company, it may be required to curtail operations significantly or to obtain funds through entering into arrangements with collaborative partners or others that may require us to relinquish rights to certain of its technologies or product candidates that the Company would not otherwise relinquish. While the Company has begun to receive commercial revenues, there can be no assurances that its existing commercial agreements will provide adequate cash to sustain its operations. If the Company decides to expand its business faster, or to geographic areas outside of Europe during the next twelve months, it may need to raise further capital.

EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") finalized FASB Statements No. 141, BUSINESS COMBINATIONS (SFAS No. 141), and No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (SFAS No. 142). SFAS No. 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS No. 142 that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS No. 141.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS No. 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS No. 142. SFAS No. 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. Early adoption is permitted in the first quarter of fiscal years beginning after December 15, 2000. SFAS No. 142 requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS No. 142. The Company is still assessing the impact SFAS No. 142 will have on its financial position and results of operations and thus was unable to early adopt SFAS No. 142. The Company will thus adopt SFAS No. 142 on July 1, 2002.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). This statement supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121") and Accounting Principles Board Opinion No. 30, "Reporting Results of Operations -Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for recognition and measurement of impairment, but amends the accounting and reporting standards for segments of a business to be disposed of. SFAS No.144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of SFAS No. 144 generally are to be applied prospectively. The Company believes that the adoption of SFAS No. 144 will not have a material impact on the Company's financial position or results of operations.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Report contain "forward looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These are statements that do not relate strictly to historical or current facts. Although the Company believes that its plans, intentions and expectations reflected in such forward looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. Such forward-looking statements involve known and unknown risks and uncertainties. The Company's actual actions or results may differ materially from those discussed in the forward-looking statements. These risk factors are set forth below. All forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their

entirety by the cautionary statements set forth below:

- Our limited operating history makes evaluation of our business and prospects difficult;

- Our business and prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets, such as the market for location services;

- We have been sued by Castle Creek Technology Partners, LLC, which has provided us financing, to have our debt of in excess of $6 million declared due and payable, for a default payment of $2 million and other damages and relief (See "Legal Proceedings"), based on an alleged failure on our part to register an increased number of shares for Castle Creek due to the operation of antidilution provisions in a warrant we issued to Castle Creek in July 2001. On December 19, 2001, we entered into a Stipulation and Order with Castle Creek providing that Castle Creek agreed to stay prosecution of this case until February 28, 2002, provided that we make required prepayments on our Notes to Castle Creek of $200,000 by January 31, 2002, and an additional $550,000 by February 28, 2002 and provided, further, that we do not breach our agreements and instruments with Castle Creek subsequent to the date of the Stipulation and Order. If we are in compliance with the provisions of the Stipulation and Order at February 28, 2002, then Castle Creek will dismiss the case with prejudice. We are also required to make prepayments of the Notes in an amount equal to 25% of the gross proceeds of each financing we close; provided, that the maximum aggregate amount of prepayments that we are required to make under the Stipulation and Order prior to October 1, 2002 (the due date of the Notes) is $3,000,000.

- Our sales cycles are long and our revenue is unpredictable;

- Our ability to secure additional financing on acceptable terms, as and when necessary;

- Our ability to improve our technology to keep up with customer demand for new services;

- The development cycle for new products may be significantly longer than expected, resulting in higher than anticipated development costs;

- The ability of our systems and operations to connect and manage a substantially larger number of customers while maintaining adequate performance, which could place a strain on managerial and operational resources;

- Our ability to expand customer service, billing and other related support systems;

- Our ability to retain the services of our key management and to attract new members of our management team;

- Our ability to effect and retain appropriate patent, copyright and trademark protection of our products;

- Despite the implementation of security measures, our computer networks and web sites may be vulnerable to unauthorized access, computer viruses and other disruptive problems, and any such occurrence could result in the expenditure of additional resources necessary to protect our assets;

- Increased competition in the field of location services;

- Our ability to make required payments on and to retire the outstanding convertible notes held by Castle Creek Technology Partners, LLC, pursuant to the terms of the Note Purchase, Modification and Forebearance Agreement, dated as of July 25, 2001, as amended as of September 26, 2001, and by the Stipulation and Order with Castle Creek.

- Our ability to continue to meet the listing requirements of the Nasdaq National Market. On November 21, 2001, The Nasdaq Stock Market notified us of its staff determination that we did not comply with the minimum net tangible assets or the stockholders equity listing standards and requested that we submit a definitive plan for compliance with these standards. We submitted our plan in response to this notice on December 17, 2001. Due to the change in our financial statements for the quarter ended September 30, 2001, set forth herein, we have been advised by Nasdaq that this proceeding is moot.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART II

ITEM 1. LEGAL PROCEEDINGS

PENDING LEGAL PROCEEDING

As described elsewhere in this report, the Company is party to a Securities Purchase Agreement, dated December 6, 2000, with Castle Creek Technology Partners LLP ("Castle Creek"), pursuant to which it issued $10,000,000 principal amount of its convertible notes (the "Notes") to Castle Creek, a Stock Purchase Warrant, dated December 6, 2000, entitling Castle Creek to purchase additional shares of the Company's common stock, and a related Registration Rights Agreement, dated December 6, 2000, providing for

registration with the Securities and Exchange Commission ("SEC") of the shares of common stock owned by Castle Creek and issuable pursuant to said convertible notes and stock purchase warrant for resale. On July 25, 2001, the Company and Castle Creek Technology Partners LLC ("Castle Creek") entered into a Note Purchase, Modification and Forebearance Agreement (the "July Agreement"), pursuant to which the Company agreed to purchase over 90 days for 86% of face value of the then remaining $9.25 million principal amount in convertible notes held by Castle Creek. The Company agreed to pay $3.0 million to Castle Creek by September 24, 2001 and $4.955 million by October 23, 2001 (of which $1.0 million was paid as a non-refundable deposit on July 25. 2001), plus all accrued and unpaid interest from the original issuance date through October 23, 2001 or, if earlier, the date of the purchase. As part of the transaction, the Company issued to Castle Creek five-year warrants to purchase 500,000 shares of Common Stock, exercisable, after one year, at an initial exercise price of $3.14 per share (subject to specified anti-dilution adjustment as set forth in the terms of such warrants). The shares issuable upon exercise of such warrant were required to be registered with the Securities and Exchange Commission.

In addition, the Company granted to Castle Creek a security interest in its assets (including the assets of its subsidiaries), including its intellectual property. The fixed conversion price of the notes was changed to $4.00 with no floating conversion price if the notes were purchased on a timely basis and the Company was in compliance with all its other obligations to Castle Creek in all material respects. The Company also agreed to certain limitations on the terms of future debt and equity financings, which limitations would not apply to a financing that provided the proceeds for the final purchase of the Notes. The Company granted Castle Creek a full release of all claims anal agreed not to disparage Castle Creek; Castle Creek has agreed not to disparage the Company.

On September 26, 2001, Ce1lPoint and Castle Creek entered into an amendment of the July Agreement to repurchase the convertible notes held by Castle Creek and related maters. Pursuant to the amendment, the Company paid $2.25 million to Castle Creek on September 26, 2001 for principal and accrued interest. The remaining outstanding convertible notes are subject to a fixed conversion puce of $4.00, and are scheduled to be, repurchased on October 1, 2002 for approximately $6.1 million plus accrued interest (and, in the event of a material breach by the Company, such prices will be then subject to specified adjustments by a reset of the fixed conversion price to the lower of (a) the average closing price during the ten-day period beginning five days prior to the date of such non compliance event, or (b) the lowest price at which the Company's Common Stock or Common Stock equivalents are sold after September 25, 2001, and by the payment of an additional repurchase amount of $2,000,000). The outstanding notes are prepayable in part or in whole at any time, without penalty.

The Company was served with a complaint on November 15, 2001, for a suit by Castle Creek to have its debt of in excess of $6 million declared due and payable, for a default payment of $2 million and other damages and relief, and on December 13, 2001, Castle Creek filed an amended complaint. The principal issue in dispute in the litigation is a declaratory judgment sought by Castle Creek as to the antidilution adjustment applicable to the number of shares that Castle Creek is entitled to purchase under the warrant to purchase 500,000 shares of common stock issued in the July 25, 2001 restructuring with Castle Creek. On December 19, 2001, the Company entered into a Stipulation and Order with Castle Creek providing that Castle Creek agreed to stay prosecution of this case until February 28, 2002, provided that the Company makes required prepayments on its Notes to Castle Creek of $200,000 by January 31, 2002, and an additional $550,000 by February 28, 2002 and provided, further, that the Company does not breach its agreements and instruments with Castle Creek subsequent to the date of the Stipulation and Order. If the Company is in compliance with the provisions of the Stipulation and Order at February 28, 2002, then Castle Creek

will dismiss the case with prejudice. The Company is also required to make prepayments of the Notes in an amount equal to 25% of the gross proceeds of each financing it closes; provided, that the maximum aggregate amount of prepayments that the Company is required to make under the Stipulation and Order prior to October 1, 2002 (the due date of the Notes) is $3,000,000. The Company has also registered in its Registration Statement that was declared effective by the Securities and Exchange Commission on January 8, 2002, the 1,500,000 shares issuable to Castle Creek by reason of the Stipulation and Order for the July 2001 warrant.

ArosMaizels AB Arbitration

The Company had received a claim by ArosMaizels AB for 5,700,000 Swedish Kronor (approximately $550,000) for financial services rendered to the Company in connection with the Unwire transaction and potential financings. This claim was submitted for arbitration, as a result of which, the Company is required to pay 4,500,000 Swedish Kronor (approximately $425,000) plus interest at 8% from May 3, 2001. The Company previously recorded a reserve for this claim and intends to pay it in full.

ITEM 2. CHANGES IN SECURITIES

(a) None.

(b) None.

(c) Recent Sales of Unregistered Securities.

In late September and early October, 2001, the Company closed three private Placements of its common stock and warrants to purchase common stock: the first placement was for $3.25 million, pursuant to which the Company issued 3,250,000 shares of Common Stock plus 1,625,000 warrants to purchase shares of Common Stock at an exercise price of $2.25 per share, exercisable for two years. The units were sold to accredited investors pursuant to Regulation 506 under the Securities Act of 1933, as amended (the "Securities Act"). The proceeds from the sale of these units were used to repurchase a portion of the convertible notes held by Castle Creek. The second placement was an offering pursuant to Regulation S under the Securities Act, in which non-U.S. Persons (as such term is defined in Regulation S), purchased 1,568,144 shares of Common Stock and 784,071 warrants to purchase shares of Common Stock, exercisable at $2.36 per share for two years. The proceeds from the Regulation S offering aggregated $2,071,130, and will be used for working capital. The third placement was for shares of Common Stock and warrants to purchase Common Stock for $1,300,000. Such offering was made to accredited investors pursuant to Regulation 506 under the Securities Act. In connection with such offering, the Company issued 1,238,096 shares of Common Stock, and 619,048 warrants to purchase shares of Common Stock, half of which are exercisable at $3.50 per share for twelve months and the other half of which are exercisable at $5.00 per share for twenty-four months.

(d) None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS, LIST AND REPORTS ON FORM 8-K

(a) Exhibits

(b) Reports on Form 8-K

Current Reports on Form 8-K were filed on July 31, 2001, and on October 5, 2001.

CELLPOINT INC. AND SUBSIDIARIES

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Consolidated balance sheets as of September 30, 2001 (Unaudited) and June 30, 2001 (Audited).....
Consolidated statements of operations for the three months ended September 30, 2001 and 2000.....
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Consolidated statements of cash flows for the three-months ended September 30, 2001 and 2000.....
Notes to consolidated financial statements.....

CELLPOINT INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN USD)

	NOTE	SEPTEMBER 2001
ASSETS		(unaudite
CURRENT ASSETS		
Cash and cash equivalents		$ 2,312,23
Accounts receivable		642,79
Unbilled receivables		368,45
Prepaid expenses and other current assets		179,96
Other receivables		420,57
Current assets of discontinued operations	2	634,42
TOTAL CURRENT ASSETS		4,558,43
LONG-TERM ASSETS		
Restricted cash	7	385,72
Acquired technology, net of accumulated amortization of $6,212,579 and		14,770,02

$5,411,604, respectively		
Other intangible assets, net of accumulated amortization of $1,408,654 and $1,311,830, respectively		1,010,37
Property and equipment, net of accumulated depreciation of $951,999 and $480,345, respectively		969,76
Non-current assets of discontinued operations	2	477,38
TOTAL LONG-TERM ASSETS		17,613,27
TOTAL ASSETS		$ 22,171,70
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accrued expenses and other current liabilities		$ 3,317,37
Accounts payable		2,939,45
Current liabilities of discontinued operations	2	1,126,79
Bank overdraft		705,43
TOTAL CURRENT LIABILITIES		8,089,06
LONG-TERM DEBT (net of debt discount of $1,499,587 and $1,914,490, respectively)	3	8,605,51
TOTAL LIABILITIES		16,694,57
MINORITY INTEREST		48,46
COMMITMENTS AND CONTINGENCIES	9	
STOCKHOLDERS' EQUITY		
Preferred shares ($0.001 par value; authorized 3,000,000 shares, nil issued and outstanding)		-
Common shares ($0.001 par value; authorized 22,000,000 shares, 11,008,141 shares and 10,824,503 shares issued and outstanding, respectively)		11,00
Common shares to be issued	4	6,621,13
Additional paid in capital		99,601,63
Cumulative foreign currency translation adjustment		764,58
Stock subscription receivable	4	(1,037,74
Accumulated deficit		(100,531,94
TOTAL STOCKHOLDERS' EQUITY		5,428,66
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 22,171,70

See accompanying notes to the consolidated financial statements

CELLPOINT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN USD)

	NOTE	THREE MONTHS ENDED SEPTEMBER 30, 2001 (unaudited)	SEPTEMBER 30, 2000 (unaudited)
Revenues		$ 415,205	$ 925,553
Cost of revenues		(21,046)	(228,833)
Gross profit		394,159	696,720
Selling, general and administrative expenses	5	(1,863,818)	(1,354,778)
Research and development expenses		(1,072,107)	(779,300)
Professional fees		(165,675)	(221,498)
Depreciation and amortization		(1,010,219)	(909,974)
TOTAL OPERATING EXPENSES.....		(4,111,819)	(3,265,550)
LOSS FROM OPERATIONS		(3,717,660)	(2,568,830)
Financial items, net	8	(1,540,578)	(149,643)
LOSS FROM CONTINUING OPERATIONS.....		(5,258,238)	(2,718,473)
LOSS FROM DISCONTINUED OPERATIONS.....	2	--	(2,628,825)
NET LOSS		($ 5,258,238)	($ 5,347,298)
Weighted average number of shares outstanding, basic and diluted		10,982,040	8,743,630
Net loss per common share basic and diluted:			
Continuing operations		$ (0.48)	$ (0.31)
Discontinued operations		$ (0.00)	$ (0.30)
Net loss per share		$ (0.48)	$ (0.61)

See accompanying notes to the consolidated financial statements

CELLPOINT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(AMOUNTS IN USD)

	THREE MONTHS ENDED SEPTEMBER 30, 2001 (UNAUDITED)	SEPTEMBER 30, 2000 (UNAUDITED)
Net loss	($ 5,258,238)	($ 5,347,298)

Other comprehensive income/(loss), cumulative foreign exchange adjustments	167,106	(152,446)
Comprehensive loss	($ 5,091,132)	($ 5,499,744)

CELLPOINT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN USD)

NOTE 6	THREE MONT ENDED SEPTEMBER 2001 (unaudit
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (5,258,
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Loss from discontinued operations	
Depreciation and amortization	1,010,
Provision for allowance on accounts receivables	
Non-cash financing costs	1,120,
CHANGES IN OPERATING ASSETS AND LIABILITIES:	
Increase in restricted cash	(201,
Increase in accounts receivable	723,
Increase in inventory	
Decrease in unbilled receivables	423,
Decrease in prepaid expenses	203,
Decrease/(increase) in other receivables	(18,
Increase/(decrease) in accrued expenses and other current liabilities	980,
Increase/(decrease) in accounts payable	857,
Decrease in due to affiliate	
NET CASH USED IN OPERATING ACTIVITIES FROM CONTINUING OPERATIONS:	(158,
NET CASH USED IN OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS:	(1,079,
NET CASH USED IN OPERATING ACTIVITIES:	(1,237,
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(200,
NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUED OPERATIONS:	(200,
NET CASH USED IN INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS:	(3,
NET CASH USED IN INVESTING ACTIVITIES:	(204,

CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of note payable	(3,144,
Net proceeds from private placements	5,336,
Bank overdraft	705,
NET CASH PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS:	2,897,
Effects of exchange rate changes on cash	171,
Effects of exchange rate changes on cash from discontinued operations	(2,
Increase/ (decrease) in cash and cash equivalents	1,625,
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	687,
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,312,

See accompanying notes to the consolidated financial statements

CELLPOINT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN USD)

1 BASIS OF PRESENTATION

NATURE OF REPORT. The consolidated balance sheet at the end of the preceding fiscal year has been derived from the audited consolidated balance sheet contained in the Company's Annual Report on Form 10-KSB, on file with the Securities and Exchange Commission, and is presented for comparative purposes. All other financial statements are unaudited. The unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Item 310 of Regulation S-B. 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. The financial information included in the quarterly report should be read in conjunction with the Company's audited financial statements and related notes thereto for the fiscal year ended June 30, 2001. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and changes in cash flows, for all periods presented, have been made. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

ESTIMATES AND UNCERTAINTIES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

RECLASSIFICATIONS. Certain amounts relating to the three-months ended September 30, 2000 have been reclassified to conform to the current year presentation.

EFFECT OF RECENTLY ISSUED ACCOUNTING STANDARDS. In June 2001, the Financial Accounting Standards Board ("FASB") finalized FASB Statements No. 141, "Business Combinations" (SFAS No. 141), and No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS No. 142 that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS No. 141.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS No. 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS No. 142. SFAS No. 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. Early adoption is permitted in the first quarter of fiscal years beginning after December 15, 2000. SFAS No. 142 requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS No. 142.

The Company has not completed its assessment of the impact SFAS No. 142 will have on its financial position and results of operations and thus is unable to early adopt SFAS No. 142 in the current quarter. The Company will thus adopt SFAS No. 142 on July 1, 2002.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121") and Accounting Principles Board Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring

Events and Transactions". SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for recognition and measurement of impairment, but amends the accounting and reporting standards for segments of a business to be disposed of. SFAS No.144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of SFAS No. 144 generally are to be applied prospectively. The Company believes that the adoption of SFAS No. 144 will not have a material impact on the Company's financial position or results of operations.

2 DISCONTINUED OPERATIONS

On May 19, 2001, the Company approved the disposal of the telematics business segment of the Company and committed to a plan to dispose of the business. Accordingly, the telematics business segment was presented as a discontinued operation in the balance sheets as of September 30, 2001 and June 30, 2001 and the related statements of operations and cash flows for the three months ended September 30, 2001. The related statements of operations and cash flows for the

three months ended September 30, 2000, have been restated to conform with this presentation. At June 30, 2001, the Company had accrued approximately $1,100,000 for additional losses expected from the discontinued operation through the expected date of disposition. For the three months ended September 30, 2001 the Company has incurred losses of approximately $1,085,000 against the accrual. The Company does not anticpate any further significant losses. Net sales for Telematics were approximately $264,000 and $53,000 for the three-months ended September 30, 2001 and 2000, respectively.

The continuing operations of the Company now constitute the only reportable business segment.

The components of assets (liabilities) of discontinued operations included in the Company's Consolidated Balance Sheets at September 30, 2001 and June 30, 2001 are as follows:

	SEPTEMBER 30, 2001	JUN 2
Current assets:		
Cash and cash equivalents	$ 8,400	
Accounts receivable	39,460	262
Prepaid expenses and other current assets	79,478	
Other receivables	75,094	482
Inventory	431,991	429
Other current assets	--	186
Non-current assets:		
Other long-term assets	477,388	521
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	(1,126,798)	(2,982
Net liabilities of discontinued operations	$ (14,987)	$ (1,100

3 LONG TERM DEBT

	SEPTEMBER 30, 2001	JUNE 30, 2001
Bank loan	$ 4,000,000	$ 4,000,000
Castle Creek (a)	4,605,513	7,785,510
	$ 8,605,513	$ 11,785,510

(a) Castle Creek. On December 6, 2000, the Company entered into an agreement whereby it issued to Castle Creek Technology Partners LLC ("Castle Creek") convertible notes in the aggregate principal amount of $10,000,000, which were originally due and payable on September 30, 2002. Interest on the debt is 6% per annum, compounded semi-annually and payable semi-annually on each June 30 and December 31. Prior to June 5, 2001, the notes

were convertible, in whole or in part, at a fixed conversion price of $25 per share at the option of the holder of the debt and could be converted in exchange for all or part of the outstanding debt plus the accrued interest at the conversion date. Subsequent to June 5, 2001, the notes were convertible at the lower of $25 or 90% of the average of the five lowest volume weighted average prices during the period of twenty consecutive trading days ending on the trading day immediately prior to the date of determination. The conversion of the notes contained certain limitations as set forth in the agreement. The Company has reserved 2,000,000 shares for the purpose of possible future conversions.

In connection with the convertible notes, the Company issued warrants exercisable immediately and expiring on December 5, 2005. The warrants grant Castle Creek the right to purchase 210,526 shares of the Company's common stock at an exercise price per share of $11.40.

On July 25, 2001, the Company entered into a note purchase, modification and forebearance agreement with Castle Creek concerning the above mentioned notes. Under the agreement, the outstanding notes were to be repurchased by the Company. The Company agreed to buy back the outstanding principal of the notes over 90 days for 86% of the remaining principal, plus accrued interest, and issued a warrant with 500,000 shares issuable upon exercise of the warrant at an exercise price of $3.14 per share and exercisable after one year for a period of four years (subject to specified anti-dilution adjustments). In addition, the Company granted to Castle Creek a security interest in its assets (including the assets of its subsidiaries), including its intellectual property. Castle Creek agreed not to trade in the Company's stock effective July 25, 2001 until the note repurchase is completed, in consideration for which Castle Creek was paid $1,000,000 as a non-refundable deposit against the final note purchase payment. The fixed conversion price of the Notes was changed to $4.00 with no floating conversion price if the notes are purchased on a timely basis and the Company complies with all its other obligations to Castle Creek in all material respects. The Company also agreed to certain limitations on the terms of future debt and equity financings, which limitations would not apply to a financing that provided the proceeds for the final purchase of the Notes.

On September 26, 2001, the Company and Castle Creek entered into an amendment of the July 25, 2001 agreement, wherein the outstanding convertible notes will be repurchased at 100% of the remaining principal and subject to a fixed conversion price of $4.00. The Company paid $2,250,000 to Castle Creek on September 26, 2001 for principal and accrued interest and is scheduled to make a final payment on October 1, 2002 for approximately $6,105,100 plus accrued interest (subject to specified adjustments upon a material breach by the Company). The outstanding notes are prepayable in part or in whole at any time without penalty. However, if the Company is in non-compliance of the limitations on the terms of future debt and equity financing, there will be a $2,000,000 penalty and the notes will become convertible at the lower of 1) the average closing price during the ten day period beginning five days prior to the date of the non-compliance event or (2) the lowest price of common stock or common stock equivalents sold from September 25, 2001 to the non-compliance event. The July agreement, except as modified by the amendment and the Stipulation and Order with Castle Creek, remains in effect.

Following the debt modifications, the Company applied the rules of EITF 96-19: "Debtor's Accounting for a Modification or Exchange of Debt Instruments." Based on the provisions of EITF 96-19 it was determined that there was not a substantial change from the original debt agreement and as such, the modified debt is shown at fair value using the new effective interest rate. The adjusted warrant was valued at approximately $700,000 and is being amortized over the remaining life of the debt. Legal fees associated with the modifications were expensed in the period.

As of September 30, 2001, Castle Creek had converted $750,000 of the notes into 270,592 shares.

Due to the beneficial conversion features associated with the financing and the amendments thereto, the Company has applied Emerging Issues Task Force ("EITF") 00-27: Application of EITF No. 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", to certain convertible instruments. In accordance with EITF 00-27 the value of the beneficial conversion feature was recorded as a reduction to the carrying amount of the convertible debt and an addition to paid-in-capital. The fair value of the warrants was recorded as a further reduction to the carrying amount and an addition to paid-in-capital. The Company therefore has recorded a total debt discount of approximately $3,514,000 and is amortizing the discount over the term of the debt. Amortization is accelerated when necessary for conversions and repayments of the debt principal. Amortization for the three-months period ended September 30, 2001 was approximately $1,121,000 and is recorded as a component of interest expense within financial items.

As a result of the private placements at the end of the quarter (see Note 4), the anti-dilution provision attached to the warrants issued on July 25, 2001 became effective. As such, the Company recalculated the adjusted exercise price and the adjusted number of shares issuable upon exercise of the warrants. This resulted in an adjusted exercise price of approximately $1.42 and additional shares of approximately 608,235 issuable upon exercise of the warrants and as further adjusted under the Stipulation and Order with Castle Creek.

See also Note 9.

4 EQUITY FINANCING

On September 25, 2001, the Company closed a private placement pursuant to which it will issue 3,250,000 shares of Common Stock for proceeds of $3,250,000. In addition, the Company will issue warrants to purchase 1,625,000 shares of Common Stock, exercisable at $2.25 per share for two years. The Company used part of the proceeds from this offering to make the required payment to Castle Creek for the repurchase of a portion of the convertible notes held by Castle Creek.

On September 25, 2001, the Company closed a placement under Regulation S for an aggregate of $2,071,130, pursuant to which the Company will issue an aggregate of 1,568,144 shares and 784,071 warrants to purchase shares of the Company's Common Stock, exercisable at $2.36 per share for two years.

As a result of the private placements, the Company had received proceeds totaling approximately $5,583,000 by September 30, 2001. Commitments totaling approximately $1,038,000 have been reported as Stock subscriptions receivable in Stockholders' equity. Shares of the Company's Common Stock in relation to the private placements were not issued until October 2001 and thus they have been reflected in Stockholders' equity as Common Shares to be Issued at September 30, 2001.

Subsequent to the quarter end, on October 5, 2001, the Company completed the initial closing of a private placement of Common Stock and warrants pursuant to which it will issue an aggregate of 1,238,096 shares of Common Stock for proceeds of $1,300,000. In addition, the Company will issue warrants to purchase 619,048 shares of Common Stock, half of which are exercisable at $3.50 per share for twelve months following the closing, and the other half of which are exercisable at $5.00 per share for twenty-four months following the closing.

The Company filed with the Securities and Exchange Commission on October 31, 2001 and amended on November 16, 2001 and January 4, 2002, a registration statement covering all shares of Common Stock issued and issuable upon exercise of the warrants described above.

5 SUBSEQUENT EVENTS

In October 2001, the Company's subsidiary, Unwire, filed for bankruptcy in Sweden. As a result of the filing the Company has effectively ceased all funding of Unwire operations. The bankruptcy courts have appointed a Trustee to oversee the disbursement of Unwire's assets and the Company now effectively has no control over the operations or decision making capabilities of Unwire.

The Company's South African subsidiary, CellPoint Systems SA (Pty) Ltd ("Systems SA"), also filed for bankruptcy in November 2001. Systems S.A. operated a research and development facility for the Company. The telematics portion of Systems SA has already been included in the discontinued operations. The location services portion of Systems SA is not included in discontinued operations, and those functions will continue to be performed by the Company's Swedish subsidiary. Costs of closing this subsidiary, primarily the write-off of the intercompany net receivable from Systems SA, have been accrued in the June 30, 2001 financial statements.

On November 2, 2001 the Company's subsidiary in England, CellPoint Europe Ltd. ("CellPoint Europe"), was filed for liquidation by the appointed liquidator. The functions performed by CellPoint Europe will now be performed by the Swedish subsidiary CellPoint Systems AB and its branch office in the United Kingdom.

The assets, liabilities and results of operations of Systems SA and CellPoint Europe were immaterial to the financial statements of the Company for all periods presented.

See also Note 9

6 SUPPLEMENTAL CASH FLOW INFORMATION

	THREE MONTHS ENDED SEPTEMBER 30, 2001	SEPTEMBER 30, 2000
Cash paid during the year for:		
Interest related to continuing operations	$ 351,392	$ 95,541
Interest related to discontinued operations	4,796	3,477
Non-cash transactions relating to investing and financing activities:		
Discount on debt issued	706,042	--
Conversion of convertible debt to common stock	450,000	--
Stock subscription receivable	1,037,740	--

7 RESTRICTED CASH

Cash is restricted in accordance with bank performance guarantees whereby in the event the Company does not fulfill certain contracts, the cash will be disbursed

to the related customer. The Company has two bank performance guarantees amounting to approximately $386,000, one of which for approximately $193,000 expires on December 31, 2004 but will automatically be reduced by approximately $138,000 on January 1, 2003 and the other for approximately $193,000 expires on October 30, 2002.

8 FINANCIAL ITEMS, NET

	THREE MONTHS ENDED SEPTEMBER 30, 2001	THREE MONTHS ENDED SEPTEMBER 30, 2000
Interest expense	($ 1,392,534)	($ 211,615)
Other financial income (expense)	(23,591)	68,582
Foreign currency exchange loss	(124,453)	(6,610)
	($ 1,540,578)	($ 149,643)

9 COMMITMENTS AND CONTINGENCIES

The Company was served on November 15, 2001, with a lawsuit, which was amended on December 13, 2001, by Castle Creek in which Castle Creek are claiming that the outstanding notes are due and payable and are seeking payment of a default penalty of $2,000,000 and other damages and relief based on an alleged failure on the part of the Company to register an increased number of shares on behalf of Castle Creek relative to the operation of the antidilution provisions in the July 2001 Warrant, issued in conjunction with amendments to the notes payable. The Company entered into a Stipulation and Order on December 19, 2001, with regard to this lawsuit. No adjustments have been made in the Company's financial statements as a result of this lawsuit.

The Company has filed a claim against its former legal counsel resulting from their representation of the Company in the restructuring of the Castle Creek agreements in which the July 2001 warrant was issued.

SIGNATURE

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

CELLPOINT INC.

By: /s/ Peter Henricsson

Peter Henricsson
President and Chief Executive Officer

By: /s/ Lars Wadell

Lars Wadell
Chief Financial Officer

Date: January 18, 2002