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SIRICOMM INC
Form 10QSB
February 19, 2004

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

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Period Ended
December 31, 2003

Commission File No. 0-18399

SIRICOMM, INC.

(Exact name of Registrant as specified in its Charter)

Delaware

62-1386759

(State or jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

2900 Davis Boulevard, Suite 130, Joplin, Missouri

64804

(Address of Principal Executive Office)

(Zip Code)

Registrant's telephone number, including area code: (417) 626-9961

Former name, former address and former fiscal year, if changed since last
report: N/A

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

Yes ☒ No ☐

The number of shares outstanding of the Registrant's Common Stock, \$.001 par
value, as of February 13th, 2004 was 12,926,094.

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PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

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SIRICOMM, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEET

	December 31, 2003 (unaudited)
ASSETS	
Current assets:	
Cash	\$ 1,457,53
Prepaid expenses and other current assets	409,11
Deferred loan costs, net	34,71
Total current assets	1,901,36
Furniture and equipment, net	49,94
	\$ 1,951,30
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Note payable, bank	\$ 92,93
Current maturities of long-term debt:	
Officers and directors	9,75
Other	435,00
Accounts payable	145,94
Accrued expenses and other current liabilities	487,79
Total current liabilities	1,171,43
Notes payable and long-term debt, less current maturities	
Other liabilities	
Total liabilities	1,171,43
Commitments and contingencies (Note 7)	

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Stockholders' equity (deficit):

Preferred stock - par value \$.001; 5,000,000 shares authorized;
 Series A - par value \$.001; 500,000 authorized; 213,417 issued and
 outstanding
 Common stock - par value \$.0001; 50,000,000 shares authorized;
 14,776,468 and 12,891,593 shares issued and 14,851,468 and
 12,966,593 shares outstanding as of December 31, 2003 and
 September 30, 2003, respectively
 Additional paid-in capital
 Deficit accumulated during the development stage
 Treasury stock, 195,250 shares at cost

Total stockholders' equity (deficit)

14,85
 5,807,30
 (4,583,66
 (458,83

 779,86

 \$ 1,951,30
 =====

See Notes to Condensed Consolidated Financial Statements.

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SIRICOMM, INC. (A DEVELOPMENT STAGE COMPANY) CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended		
	December 31, 2003	December 31, 2002	
Revenues	\$ -	\$ -	\$ -
Operating expenses:			
General and administrative	65,663	52,628	
Salaries and consulting fees	410,960	83,125	
Stock-based compensation	50,000	-	
Research and development	14,700	35,643	
Write-off of notes receivable	-	-	
Depreciation	4,823	4,823	
Total operating expenses	546,146	176,219	
Operating loss	(546,146)	(176,219)	
Interest expense	(14,777)	(17,795)	
Loan costs	(116,130)	(189,549)	
Net loss	\$ (677,053)	\$ (383,563)	\$ -
Net loss per share, basic and diluted	\$ (0.05)	\$ (0.10)	\$ -

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Weighted average shares,
basic and diluted

12,949,245
=====

3,782,212
=====

See Notes to Condensed Consolidated Financial Statements.

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SIRICOMM, INC. (A DEVELOPMENT STAGE COMPANY) CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) FOR THE PERIOD FROM INCEPTION (APRIL 24, 2000) THROUGH DECEMBER 31, 2003

	Preferred Stock		Common Stock		Additional	Accum
	Shares	Amount	Shares	Amount	Paid-in Capital	Def
Issuance of founder shares at inception	-	\$ -	3,333	\$ 3,333	\$ -	\$ -
Conversion of debt to equity			6,372	6,372	379,844	
Net loss for the period						(3,782,212)
Balance, September 30, 2000	-	-	9,705	9,705	379,844	(3,782,212)
Issuance of common stock			295	295	288,709	
Net loss for the year						(4,070,921)
Balance, September 30, 2001	-	-	10,000	10,000	668,553	(8,153,133)
Treasury stock acquisition (1,694 shares)						
Issuance of 1,472 treasury shares of common stock					(184,641)	
Net loss for the year						(9,337,774)
Balance, September 30, 2002	-	-	10,000	10,000	483,912	(17,490,907)
Reverse merger and reorganization	-	-	9,712,867	(277)	(247,892)	
Conversion of debt to equity	-	-	2,029,000	2,029	1,104,971	
Stock issued for loan costs	-	-	137,782	138	272,574	
Stock issued for services	-	-	1,001,944	1,002	1,144,157	
Stock warrants issued for services	-	-	-	-	185,000	
Stockholder contributions	-	-	-	-	829,838	
Proceeds from stock issuance, net	-	-	75,000	75	74,925	
Net loss for the period	-	-	-	-	-	(2,147,892)
Balance, September 30, 2003	-	-	12,966,593	12,967	3,847,485	(3,915,991)

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Conversion of debt to equity, net	213,417	213	225,033	225	406,921	
Stock issued for loan costs			9,842	10	13,671	
Stock issued for services			34,000	34	38,590	
Stock warrants exercised			176,000	176	87,824	
Proceeds from stock issuance			1,440,000	1,440	1,362,809	
Issuance of options to employees, net			-		50,000	
Net loss for the period			-			(6)
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2003	213,417	\$ 213	14,851,468	\$ 14,852	\$ 5,807,300	\$ (4,5
	=====	=====	=====	=====	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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SIRICOMM, INC. (A DEVELOPMENT STAGE COMPANY) CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended		From I
	December 31, 2003	December 31, 2002	From I
	-----	-----	(April 2
	-----	-----	Decembe
Cash flows from operating activities:			
Net loss	\$ (677,053)	\$ (383,563)	\$
Adjustments to reconcile net loss to net cash flows from operating activities:			
Depreciation	4,823	4,824	
Amortization of loan costs	-	-	
Loan costs	116,130	84,244	
Stock-based compensation	50,000	-	
Settlement expense funded from debt acquisition	-	-	
Write-off of note receivable	-	-	
Other non-cash charges	1,363	-	
Changes in assets and liabilities:			
Current assets	268,828	14,844	
Current liabilities	112,840	43,153	
	-----	-----	-----
Net cash flows from operating activities	(123,069)	(236,498)	-----
	-----	-----	-----
Cash flows from investing activities:			
Cash acquired in business combination	-	1,479	
Acquisition of furniture and equipment	-	-	
Proceeds from sale of equipment	-	-	
	-----	-----	-----
Net cash flows from financing activities	-	1,479	-----
	-----	-----	-----

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Cash flows from financing activities:

Issuance of notes receivables	-	-
Borrowings under line of credit, net	-	-
Procceds from notes payables	-	250,000
Payment of notes payable	(3,700)	(34,029)
Payment of loan costs	-	-
Advances from (repayments to) officers, net	-	55,000
Proceeds from sale of common stock	1,528,000	-
	-----	-----
Net cash flows from financing activities	1,524,300	270,971
	-----	-----
Increase in cash	1,401,231	35,952
Cash, beginning of period	56,300	44,304
	-----	-----
Cash, end of period	\$ 1,457,531	\$ 80,256
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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SIRICOMM, INC. (A DEVELOPMENT STAGE COMPANY) CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest	\$ 5,815	\$ 3,197	\$
	=====	=====	=====

SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:

Issuance of 34,000 shares of common stock for services	\$ 38,624	\$ -	\$
	=====	=====	=====
Conversion of debt to to equity	\$ 407,359	\$ -	\$
	=====	=====	=====
Issuance of 9,842 shars of common stock for loan costs	\$ 13,681	\$ -	\$
	=====	=====	=====
Issuance of 716,000 shares of common stock for services to be performed in the future	\$ -	\$ 1,532,240	\$
	=====	=====	=====
Loan cost funded through issuance of stock	\$ -	\$ 82,244	\$
	=====	=====	=====
Debt assumed pursuant to reverse acquisition	\$ -	\$ 100,000	\$
	=====	=====	=====

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Increase in accrued expenses for stock to be issued	\$ - =====	\$ 105,305 =====	\$ ==
Stock offering costs funded through issuance of stock	\$ 31,091 =====	\$ 26,670 =====	\$ ==
Conversion of debt to 6,372 shares of common stock	\$ - =====	\$ - =====	\$ ==
Acquisition of 1,694 shares of treasury stock	\$ - =====	\$ - =====	\$ ==
Conversion of debt to 1,922,000 shares of common stock	\$ - =====	\$ - =====	\$ ==
Stockholder contribution of stock options on behalf of the Company	\$ - =====	\$ - =====	\$ ==
Issuance of 1,189 shares of treasury stock for prepaid services	\$ - =====	\$ - =====	\$ ==
Stockholder contribution of 195,250 shares of common stock to the Treasury	\$ - =====	\$ - =====	\$ ==

See Notes to Condensed Consolidated Financial Statements.

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SIRICOMM, INC. AND SUBSIDIARY (A DEVELOPMENT STAGE ENTERPRISE) NOTES TO FINANCIAL STATEMENTS FROM INCEPTION (APRIL 24, 2000) TO DECEMBER 31, 2003

1. Nature of operations and summary of significant accounting policies:

Nature of operations:

SiriCOMM, Inc. - a Missouri corporation (the "Company"), incorporated in the State of Missouri on April 24, 2000, is engaged in the development of broadband wireless application service technologies intended for use in the marine and transportation industries. The Company's development activities include integrating multiple technologies including satellite communications, the Internet, wireless networking, and productivity enhancing software into commercially viable products and services. The Company expects to complete development activities and commence revenue-generating activities in mid 2004.

Use of estimates:

The preparation of financial statements in conformity with accounting

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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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interim information:

In the opinion of management, all adjustments necessary for a fair presentation of the results of operations for the periods presented have been included. The results of operations for the period ended December 31, are not necessarily indicative of the results for a full year.

Stock-based compensation:

The Company accounts for compensation costs associated with stock options issued to employees under the provisions of Accounting Principles Board Opinion No. 25 whereby compensation is recognized to the extent the market price of the underlying stock at the grant date exceeds the exercise price of the option granted. The Company granted an aggregate 200,000 stock options to employees in November 2003. Stock-based compensation to non-employees is accounted for using the fair-value based method prescribed by Financial Accounting Standard No. 123 - Accounting for Stock-Based Compensation.

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SIRICOMM, INC. AND SUBSIDIARY (A DEVELOPMENT STAGE ENTERPRISE) NOTES TO FINANCIAL STATEMENTS FROM INCEPTION (APRIL 24, 2000) TO DECEMBER 31, 2003

1. Nature of business and summary of significant accounting policies (continued):

Stock-based compensation (continued):

Had compensation cost for the Company's stock option plan been determined on the fair value at the grant dates for stock-based employee compensation arrangements consistent with the method required by SFAS 123, the Company's net loss and net loss per common share would have been the pro forma amounts indicated below for the three months ended December 31, 2003.

Net loss, as reported	\$ (677,053)
Add back intrinsic values of stock issued to employees	50,000
Less: stock-based employee compensation under the fair value based method, net of related tax effects	(165,640)

Pro forma net loss under fair value method	\$ (792,693)
	=====
Net loss per common share-basic and diluted:	
As reported	\$ (.05)
Pro forma under fair value method	\$ (.06)

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Research and development costs:

The Company incurs costs, principally paid to outside consultants, associated with computer software to be marketed in the future. Costs incurred in connection with establishing technological feasibility have been expensed as research and development costs. Costs incurred subsequent to establishing technological feasibility, including coding and testing, will be capitalized. There were no capitalizable costs incurred in the period ended December 31, 2003.

Net loss per share:

Net loss per share represents the net loss available to common stockholders divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if convertible debt was converted into common stock. Diluted net loss per share is considered to be the same as basic net loss per share since the effect of the issuance of common stock associated with the convertible debt is anti-dilutive.

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SIRICOMM, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (APRIL 24, 2000) TO DECEMBER 31, 2003

2. Management's plan of operation:

Since its inception, SiriCOMM has financed its activities primarily from short-term loans, a portion of which are in default (Note 4). The Company has raised approximately \$2,000,000 through February 12, 2004 in connection with a private placement of the sale of 2,000,000 units. Of the \$2,000,000, \$1,515,000 was received by December 31, 2003 and the balance was received in the first quarter of 2004. The \$1,515,000 received through December 31, 2003 is included in the Company's December 31, 2003 balance sheet as are the shares issuable as part of the units. Each unit consists of one share of stock at \$1.00 and a 3 year warrant exercisable at \$2.00 per share. Although there are no legal restrictions on the use of proceeds from the private placement, the Company has segregated \$1,400,000 into an escrow fund, pending closing of the economic development loan discussed below. To date, SiriCOMM has not introduced its products and services commercially, and has limited assets, significant liabilities and limited business operations. The construction of the initial network is estimated to cost \$2,000,000 and is expected to be financed with the proceeds of the private placement and an economic development loan of \$1,000,000. The loan is anticipated to close prior to March 1, 2004. Furthermore, the Company is in discussions with two technology companies to provide products and services in exchange for equity in the Company.

Managements' plan of operations has been for the Company to raise additional capital (\$3-5 million) and build a network to service up to 250,000 simultaneous users. The Company will need to seek additional financing. There can be no assurances that the Company, even with the private placement and development loan, will be able to achieve its financial objectives, as well as raise the additional financing and continue as a going concern. The financial statements do not include any adjustments to the carrying amount of assets and the amounts and classifications of liabilities that might result from the outcome of this

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uncertainty.

3. Note payable, bank:

Note payable, bank consists of a demand loan payable with interest at 7% in monthly installments of \$2,409 per month, maturing July 20, 2004. The loan is secured by all assets of the Company and guaranteed by the principal stockholder.

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SIRICOMM, INC. AND SUBSIDIARY (A DEVELOPMENT STAGE ENTERPRISE) NOTES TO FINANCIAL STATEMENTS FROM INCEPTION (APRIL 24, 2000) TO DECEMBER 31, 2003

4. Notes payable:

Long-term debt consists of the following at December 31,2003:

Note payable, former officer, bearing interest at a 9% default rate, unsecured, principal and interest due in monthly installments of \$10,000 through May 2004, currently in default. (a)	135,000
Notes payable, bearing interest at 4%, unsecured, interest and principal due the earlier of the date which the Company shall receive sufficient invested or borrowed sums to pay all amounts due or the dates ranging from October 31, 2003 through April 30, 2004.	300,000

	435,000
Other	9,757

	\$ 444,757
	=====

(a) As of December 31, 2003, the Company was in default of this note payable. The former officer filed suit for breach of contract in July 2003. (See Note 7.)

5. Stockholders' deficit:

The Company authorized the issuance of a class of convertible Preferred Stock. Subsequent to December 31, 2003, the Company improved its current ratio and its shareholders' equity, pursuant to a debt conversion. The Company agreed to issue Preferred Stock to preserve a lender's continuing accrued interest and create a class superior to the common stock. In December 2003, therefore, the Company designated 500,000 shares of Series A Cumulative Convertible Preferred Stock. This stock has a par value of \$.001 and an annual dividend rate of \$.10 per share, payable in quarterly payments of \$.025 per share. The preferred stock has a liquidating preference of \$1.00 per share and is convertible to Common Stock at \$2.00 per share.

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SIRICOMM, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (APRIL 24, 2000) TO DECEMBER 31, 2003

5. Stockholders' deficit (continued):

At September 30, 2003, a stockholder agreed to convert \$20,000 in accounts payable to equity. This conversion and stock issuance of 20,000 shares of common stock occurred in October 2003.

In November, the Company converted an aggregate of \$400,000 in debt from existing shareholders along with accrued interest thereon. The Company issued 213,417 shares of newly issued Preferred Stock Series A in consideration for two debtholders conversion of \$200,000 in notes and further issued 205,043 shares of common stock to an existing shareholder and a director who converted notes of \$150,000 and \$50,000 respectively. Stock-based stock issuance costs associated with these conversions aggregated \$31,091.

In addition, an aggregate of 176,000 shares were issued in connection with the exercise of a like amount of warrants for aggregate proceeds of \$88,000.

As discussed in Note 2, in the first quarter of fiscal 2004, the Company raised 1,440,000 in connection with a private placement offering.

In the first quarter of fiscal 2004, the Company issued 9,842 shares of its common stock, at the fair market value of the stock for loan costs previously accrued.

In November 2003, the Company entered into a broker-dealer exclusive letter agreement for services which included introduction to certain parties desirous of establishing a mutually advantageous business relationship. The term of this agreement is six months. The compensation for these services is 34,000 shares of restricted stock, valued at \$38,624, a total of \$15,000 paid monthly over the term of the agreement, and an additional 66,000 shares of restricted stock to be issued on the 90th (33,000 shares) and 180th (33,000 shares) day of the agreement. The 100,000 shares include piggyback registration rights.

Black Scholes Assumptions:

The Company used the Black-Scholes options-pricing model to determine the fair value of warrants as well as to determine the values of options granted to employees for disclosure purposes. The following assumptions were used for grants in 2004: No dividend yield, expected volatility of 122.18%; risk-free interest rates of 2% and expected lives of 2 years.

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SIRICOMM, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (APRIL 24, 2000) TO DECEMBER 31, 2003

6. Income taxes:

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Deferred tax assets consist of the following at December 31, 2003:

Net operating loss carryover	\$	62
Valuation allowance		(62)

	\$	
		=====

Income tax (expense) benefit consists of the following at December 31, 2003:

Current:		
Federal	\$	

Deferred:		
Deferred		
Benefit of net operating loss carryover		23
Change in valuation allowance		(23)

	\$	
		=====

The expected income tax benefit at the statutory tax rate differed from income taxes in the accompanying statements of operations as follows:

	Percentage
	of loss bef
	income tax
	December 3
	2003

Statutory tax rate	35.0%
State tax	3.5%
Change in deferred tax asset	
valuation allowance	(38.5%)

Effective tax rate in accompanying statement of operations	0%
	=====

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SIRICOMM, INC. AND SUBSIDIARY (A DEVELOPMENT STAGE ENTERPRISE) NOTES TO FINANCIAL STATEMENTS FROM INCEPTION (APRIL 24, 2000) TO DECEMBER 31, 2003

7. Commitments and contingencies:

Litigation:

On July 26, 2003, the Company was named a defendant in a lawsuit entitled Greg Sanders v. SiriCOMM, Inc. The action was brought in the Circuit Court of Newton County, Neosho, Missouri. The action is for breach of settlement contract and seeks damages in the principal amount of \$135,000 plus alleged acceleration interest. The Company acknowledges the debt (which is recorded, along with accrued interest thereon: See Note 4) although

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disputes the principal amount claimed and accelerated interest. Management is attempting to negotiate a settlement of this matter.

Employment agreements:

The Company has three executive employee agreements with certain officers/directors. As part of these agreements the Company is obligated to pay these individuals aggregate compensation of \$425,000 annually through February 2005.

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

Background

SiriCOMM, Inc. ("Company"), was incorporated in the State of Delaware on March 23, 1989 as Fountain Pharmaceuticals, Inc. The Company ceased operations and had been inactive since July 2001.

On November 21, 2002, the Company completed the acquisition of SiriCOMM, Inc., a company organized under the laws of the State of Missouri in April 2000 ("SiriCOMM"). As a result of the acquisition, the Company's business operations are those of SiriCOMM.

Critical Accounting Policies and Estimates:

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to contingencies, on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policy, among others; involve the more significant judgments and estimates used in the preparation of our consolidated financial statements:

The Company accounts for compensation costs associated with stock options and warrants issued to non-employees using the fair-value based method prescribed by Financial Accounting Standard No. 123 - Accounting for Stock-Based Compensation. The Company uses the Black-Scholes options-pricing model to determine the fair value of these instruments as well as to determine the values of options granted to certain lenders by the principal stockholder. The following estimates are used for grants in 2004: Expected future volatility over the expected lives of these instruments is estimated to mirror historical experience of 122.18%; expected lives of 2 years is estimated based on management's judgment of the time period by which these instruments will be exercised.

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Information Relating To Forward-Looking Statements

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This report, including the documents incorporated by reference in this report, includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Our actual results may differ materially from those discussed herein, or implied by these forward-looking statements. Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements.

Plan of Operations

SiriCOMM is engaged in the development of broadband wireless software and network infrastructure solutions for the commercial transportation industry and government market. The Company has a vertically integrated technology platform incorporating both software applications and broadband network infrastructure and access. The vertical-specific, enterprise-grade software solutions are designed to help businesses of any size and the government to significantly increase profitability, reduce operating costs, improve productivity and operational efficiencies, enhance safety, and strengthen security. The Company's unique, commercial-grade private network solution is built for enterprises and integrates multiple technologies to enable an ultra high-speed, open-architecture wireless data network for its software applications and Internet access. The Company believes that its vertical-specific software, network technology, deep industry relationships, and low cost of operations represent significant value to the commercial transportation industry and the government market.

SiriCOMM's patent-pending network infrastructure solution provides considerable benefits when compared to other solutions competing in the space. The architecture transmits data at speeds of up to 48,000 kilobits per seconds ("kbps"), or 20 to 100 times faster than other wireless solutions such as GSM (9.6 kbps), CDMA2000-1XRTT (144 kbps), or Qualcomm's USAT (2 kbps). SiriCOMM will install network access nodes using Wireless Fidelity (Wi-Fi) access points at strategic locations nationwide. Each wireless local area network is interconnected using satellite communications and the company's proprietary server solution. The point-to-multipoint broadcast feature of the company's network provides considerable cost-to-bandwidth efficiencies. SiriCOMM's software applications leverage this optimized data network to deliver significant cost reduction and productivity improvement opportunities to subscribing companies. For a flat, low monthly fee subscribers will have access to a suite of productivity software, the Internet, e-mail, proprietary company intranet information, and similar business tools. Users will connect to the

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network using any 802.11-compatible device. For the most mobile subscribers, SiriCOMM recommends a Wi-Fi-enabled Palm OS handheld computer. SiriCOMM's solutions are expected to become commercially available during the second quarter of the year 2004.

Development of SiriCOMM's Business and Products

Since our inception we have focused our efforts principally in three key areas - product development, pre-market demonstrations to potential customers, and the formation of critical industry alliances. The results of this disciplined approach are significant. First, a working prototype of the broadband wireless network and applications software was developed and refined into a highly marketable product. Patent applications are on file for the entire end-to-end system. Second, demonstrations of the prototype to qualified

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potential customers reaffirmed the feasibility of the network and the solid need for its unique services. SiriCOMM has made technical presentations to more than 30 communication, automobile, trucking and mobile technology companies during the last 24 months and has received favorable feedback at such demonstrations. As a result, the Company has letters of intent, memorandums of understanding, whitepapers, and similar strong expressions of support from multiple industry stakeholders. These include trucking companies, truck manufacturers, technology partners, trade associations, government agencies, etc.

The first generation of SiriCOMM products can significantly improve the availability, timeliness, and accuracy of communications and decision support tools for most of the nation's law enforcement agencies and trucks that operate in North America. Ultimately, with minor modifications, the SiriCOMM products will be applicable in any industry requiring mobile communications from remote locations, such as recreational vehicles, yachts, and construction sites.

SiriCOMM intends to charge a monthly subscription fee of \$49.95 per user per month for its services.

The five principal components of the SiriCOMM service include:

1. An I.E.E.E. 802.11 standard compatible wireless device (PC or Palm OS(TM)) for the users. The 802.11 is a wireless standard governed by the Institute of Electrical and Electronics Engineers that operates in the 2.4 Ghz unregulated frequency spectrum;
 2. Wireless transmission and receiving equipment installed in strategic locations such as marinas, truck stops, weigh stations, and major shipper facilities;
 3. Access to the AMC-6 geo-synchronous satellite;
 4. Proprietary software processes and applications; and
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5. Broadband wireless channels that enable transmission of extremely large amounts of data at speeds 20 to 100 times faster than current wireless solutions.

Users will be able to connect to the SiriCOMM network whenever they are within range (up to approximately one-half mile) of one of several planned access locations. SiriCOMM has had fixed test locations in Joplin, Missouri, Blacksburg, Virginia, Columbia, Missouri, Oklahoma City, Oklahoma and Rock Hill, South Carolina. The Company has deployed multiple mobile demonstration sites throughout the U.S. While in range, the subscriber will have wireless, universal access to the Internet and to an agency, or fleet intranet, if one exists. For a low, fixed monthly subscription fee subscribers will be able to communicate unlimited amounts of data and messages to their homes, offices, or client support centers using SiriCOMM's high-speed wireless network.

At present SiriCOMM leases transponder access to the AMC-6 satellite on a month to month basis for \$350 per month per ground location pursuant to an informal agreement with Cislunar, the satellite teleport operator. The agreement with Cislunar is an oral agreement for month-to-month supply and purchase of transponder usage. Cislunar has accommodated SiriCOMM by reselling a very small amount of capacity to SiriCOMM on an as-needed basis and Cislunar is willing to continue to do so until SiriCOMM is in a position to build out its network. At that time, usage will likely increase substantially and both Cislunar and SiriCOMM recognize that a written agreement will need to be in place. SiriCOMM plans to enter into a formal agreement for monthly transponder usage when the system is offered commercially. At each ground location, the satellite receiver is linked to the 2.4 Ghz wireless network utilizing a local server and

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SiriCOMM's technology for rapidly cache and serve network requests. There are no limitations or special licenses required to operate local two-way data communications at 2.4Ghz wireless frequencies.

SiriCOMM does not have a commercial network presently running implementing its wireless data transmission technology. SiriCOMM is in the process of completing memorandums of understandings with three (3) major truck-stop chains which would enable it to build out 440 sites. To that end, SiriCOMM has entered into a memorandum of understanding with Sat-Net Communications LLC, whereby Sat-Net will install terminals at up to 400 truck stop locations at a turn-key price of \$3,700 per location. The memorandum of understanding also provides that Sat-Net will provide software and network support for a monthly per site fee of \$30.00. In connection with this transaction the Company has agreed to issue Sat-Net 2,000,000 shares of its common stock and 1,000,000 three (3) year warrants exercisable at \$2.00 per share. It plans to build a network with the capacity to service up to 250,000 simultaneous users within 6 months of raising the needed capital. As of the date of this filing the agreement has not yet been finalized.

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The construction of the initial network is estimated to cost \$1-2 million and is expected to be financed by private sales of the Company's debt and equity securities. In additions to the proceeds of a \$2,000,000 private placement, the Company has a commitment for a \$1,000,000 loan from Southwest Missouri Bank (SMB) to guaranteed by the United States Department of Agriculture which is expected to close by March 1, 2004. The terms of this financing are very favorable to the Company. The private placement consisted of 2,000,000 units, each unit consisted of one share of the Company's common stock and one three-year warrant exercisable at \$2.00 per share. The Company has segregated a portion of the proceeds of the private placement pending the closing of the \$1,000,000 loan from SMB.

Results of Operations

From inception (April 24, 2000) through December 31, 2003, SiriCOMM has not generated any revenues. During the period from inception (April 24, 2000) through December 31, 2003, SiriCOMM had net losses totaling \$4,583,661. During the three months ended December 31, 2003, net losses totaled \$677,053. From inception through December 31, 2003, SiriCOMM's general and administrative expenses totaled \$682,105 or 18% of total operating expenses, while for the three months ended December 31, 2003 general and administrative expenses totaled \$65,663 or 9.70% of total operating expenses. From inception through December 31, 2003, SiriCOMM incurred salaries and consulting fees of \$2,030,974 or 53.00% of operating expenses, of which \$410,960, or 75.25% of total operating expenses was incurred during the three months ended December 31, 2003 of such amounts \$671,421 and \$50,000 were stock-based related. Research and development costs were \$350,919 or 9.20% of total operating expenses incurred in the period from inception (April 24, 2000) through December 31 2003, while expenses incurred during the three months ended December 31, 2003 totaled \$14,700 or 2.7% of total operating expenses. These substantial declines were a result of 1) substantial completion of this research and development phase and 2) cash flow considerations.

From inception through December 31, 2003, the Company has incurred interest expenses \$109,377, of which \$14,777 was incurred during the three months ended December 31, 2003.

Liquidity and Capital Resources

On November 21, 2002, Fountain completed the acquisition of all of the

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issued and outstanding shares of SiriCOMM, Inc., a Missouri Corporation. An aggregate 9,623,195 post-reverse split shares were issued to SiriCOMM's 18 shareholders. Furthermore, the Company agreed to issue the equivalent of 15.5%

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of the post-merger entity to retire \$1,000,000 of convertible debentures issued by SiriCOMM. As a result and following completion of the acquisition, the sole director of Fountain resigned and four of SiriCOMM's principal shareholders were elected in his place. In connection with this transaction the Company changed its name to "SiriCOMM, Inc."

Since SiriCOMM is considered the acquirer for accounting and financial reporting purposes, the transaction will be accounted for in accordance with reverse acquisition accounting principles as though it were a recapitalization of SiriCOMM and a sale of shares by SiriCOMM in exchange for the net assets of Fountain. These financial statements include the historical results of operations and cash flows of SiriCOMM-Missouri.

SiriCOMM is a development-stage entity engaged in the development of broadband wireless applications service provider technologies for the marine and highway transportation industries. The Company's current development activities include integrating multiple technologies including satellite communications, the Internet and intranets, wireless networking and productivity enhancing software into commercially viable products and services for its target industries.

Since its inception, SiriCOMM has financed its activities primarily from short-term loans. During fiscal 2003, the Company borrowed an aggregate of \$680,000 from several lenders. The Company issued promissory notes to these lenders. The notes have varying interest rates ranging from 4% to 10% and matured either during 2003 or mature as late as November 2004. In addition, of the \$680,000, an aggregate of \$400,000 was converted into preferred or common equity of the Company during the first quarter of fiscal 2004. The Company has received further indications that notes totaling \$125,000 will be converted into equity in the near future but there can be no assurances thereto.

SiriCOMM also issued a Demand Note to a Bank. The Demand Note bears interest at the annual rate of 7% and SiriCOMM makes monthly installments of \$2,409 per month, maturing July 20, 2004. The loan is secured by all assets of SiriCOMM and guaranteed by the Company's President and CEO. This note will be retired upon closing of the \$1,000,000 USDA loan.

SiriCOMM is indebted to a former officer in the principal amount of \$135,000. In connection with this indebtedness, SiriCOMM issued the former officer a Note in the original principal amount of \$290,000. This Note is unsecured and called for payments in monthly installments of \$10,000 through May 2004. The Company is in default and the former officer commenced legal proceedings in July 2003 against the Company seeking damages in excess of \$150,000. (See Legal Proceedings) The Company has recorded the liability with interest thereon at the default rate of 9 percent.

To date, SiriCOMM has not introduced its products and services commercially, has limited assets, significant liabilities and limited business operations. Managements' plan of operation for fiscal 2003 is to build a network

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to service up to 80,000 simultaneous users. The construction of the initial network is estimated to cost \$1-2 million and is expected to be financed by a

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private sale of the Company's debt or equity securities. The Company has commitments totaling \$3,000,000 to be used in part for network implementation. These funds include a \$1,000,000 note from Southwest Missouri Bank (SMB) guaranteed by the United States Department of Agriculture. The terms of this financing are very favorable to the Company. The remaining funding commitments have been raised through a \$2,000,000 million private placement. These funds are currently being held in escrow pending the closing of the SMB/USDA loan.

There can be no assurances that the Company will be successful in obtaining further debt or equity financing in order to achieve its financial objectives.

Item 3: Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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PART II - OTHER INFORMATION

Item 1: Legal Proceedings

On July 26, 2003 the Company was named a defendant in a lawsuit entitled Greg Sanders v. SiriComm, Inc. The action was brought in the Circuit Court of Newton County, Neosho, Missouri (CV303-559CC). The action is for breach of contract and seeks damages in the principal amount of \$135,000 plus an additional \$30,000 in alleged acceleration interest. The Company acknowledges the debt and will attempt to negotiate a settlement of this matter. The Company has retained counsel to respond to the Complaint.

Item 2: Changes in Securities and Use of Proceeds

(a) None

(b) None

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(c) On December 5, 2003, the Company issued 34,000 shares of its Common Stock to MCC Securities, Inc. pursuant to an agreement. The shares were issued under the exemption from registration provided in Section 4(2) of the Act.

On December 10, 2003, the Company issued an aggregate of 213,417 shares of its Series A Preferred Stock to Quest Capital Alliance L.L.C. (161,165) and William and Joy Fotsch (52,252) pursuant to the conversion of an aggregate of \$200,000 of debt due by the Company. The shares were issued under the exemption from registration provided in Section 4(2) of the Act.

On December 31, 2003, we completed the sale of \$1,515,000 units ("Units") to twenty-four accredited investors. Each Unit consists of one share of the Company's common stock and one three-year warrant exercisable at \$2.00 per share. Among the investors in this offering was Terry Thompson, a director of the Company. These funds are currently being held in escrow pending the closing of the \$1,000,000 loan from SMB although there are no legal restrictions on these funds. The Units were sold under the exemption from registration provided in Section 4(2) of the Act.

In November 2003, Robert J. Smith converted \$154,443 of debt due to him by the Company into a like number of the Units. These Units were issued under the exemption from registration provided in Section 4(2) of the Act.

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The Company privately placed 2,000,000 shares of common stock and 2,000,000 warrants in the last quarter of 2003 and first quarter of 2004. Each warrant allows the holder to acquire an additional share of common stock for \$2.00. The offering was made without any general solicitation and each investor represented in the securities purchase agreement that they were "accredited" investors as defined in Rule 501(a) of Regulation D under the Securities Act of 1933. The securities we issued are "restricted" securities and the certificates representing the securities bear a legend to that effect. No brokers were retained to assist us with the offering and we filed a Form D with the SEC and in the states where the investors reside where such filing is required under state law. The offering is claimed to be exempt under Rule 506 of Regulation D, Section 4(2) and Section 4(6) of the Securities Act of 1933.

(d) Not Applicable

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 and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

- | | |
|------|--|
| 31.1 | Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a). |
| 31.2 | Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a). |

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32.1 Certification of Chief Executive Officer pursuant to
18 U.S.C. Section 1350

32.2 Certification of Chief Financial Officer pursuant to
18 U.S.C. Section 1350

(b) Reports on Form 8-K

None

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SIGNATURES

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

Dated: February 19, 2004

SIRICOMM, INC.

By: /s/ Henry P. Hoffman

Henry P. Hoffman, President
and Chief Executive Officer

By: /s/ J. Richard Iler

J Richard Iler, Executive Vice
President and Chief Financial Officer

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