

DIRECT WIRELESS COMMUNICATIONS INC
Form 10QSB/A
August 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB/A

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

For the quarterly period ended JUNE 30, 2002

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT For the transition period from _____ to _____

Commission file number 333-62216

DIRECT WIRELESS COMMUNICATIONS, INC.

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

TEXAS

74-3002154

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

2068 N. VALLEY MILLS DR. WACO, TEXAS 76710

(Address of principal executive offices)

(512) 583-4500

(Issuer's telephone number)

P. O. BOX 15064, AUSTIN, TX 78761-5064

(Former address)

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

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 23,473,117

Transitional Small Business Disclosure Format (Check one): Yes No

Edgar Filing: DIRECT WIRELESS COMMUNICATIONS INC - Form 10QSB/A

TABLE OF CONTENTS

PART I	Financial Information
Item 1.	Financial Statements
	Statement of (Loss) and Accumulated Deficit
	Statement of Changes in Stockholders' Equity
	Statement of Cash Flows
	Notes to Financial Statements
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
PART II	OTHER INFORMATION
Item 1.	Recent Developments in Legal Proceedings
Item 2.	Changes in Securities
Item 3.	Defaults upon Senior Securities
Item 4.	Submission of Matters to a Vote of Security Holders
Item 5.	Other Information
Item 6.	Exhibits and Reports in Form 8-K
	Signatures

DIRECT WIRELESS COMMUNICATIONS, INC.
(a Development Stage Company)

Balance Sheet
June 30, 2002

ASSETS:	6/30/2002	

Current Assets		
Cash	\$ 452	
A/R Stockholder and Other	3,721	
Investments in Mutual Funds	8,824	

Total Assets	\$ 12,997	=====

LIABILITIES AND STOCKHOLDERS' EQUITY:

Edgar Filing: DIRECT WIRELESS COMMUNICATIONS INC - Form 10QSB/A

Current Liabilities	
Advance from Stockholder	\$ 1,043

Total Current Liabilities	1,043

Stockholders' Equity	
Common Stock, No Par Value, 200,000,000 Shares Authorized, 23,473,117 Issued and Outstanding	680,135
Additional Paid-In Capital	15,019
Deficit Accumulated During Development Stage	(683,200)

Total Stockholders' Equity	11,954

Total Liabilities and Stockholders' Equity	\$ 12,997
	=====

1

DIRECT WIRELESS COMMUNICATIONS, INC.
(a Development Stage Company)

Statement of Loss
From the Three Months Ended, Six Months Ended and
Period of Inception (April 6, 2001) to June 30, 2002

	Three Months Ended 6/30/2002	Six Months Ended 6/30/2002	From Inception (April 6, 2001) to 6/30/2002
	-----	-----	-----
Revenue	\$ 326	\$ 326	\$ 326
Expenses			
Advertising	415	2,740	2,740
Bank Charges	0	20	20
Stock Transaction Fees	887	2,581	2,581
Entertainment and Meals	0	339	339
Professional and Consulting Fees	95,210	98,395	420,761
License Fees	0	42,210	219,190
Administrative Fees	0	5,100	20,119
Outside Services	0	0	2,732
Office Expense	100	958	3,488
Other	0	7,000	7,215
Postage and Delivery	0	0	986
Telephone	470	749	1,572
Travel	0	129	685
Repairs and Maintenance	0	0	55
Insurance	0	0	182
Dues and Subscriptions	0	(100)	300
Auto Expense	0	0	271
Rent	290	290	290
	-----	-----	-----
	97,372	160,411	683,526

Edgar Filing: DIRECT WIRELESS COMMUNICATIONS INC - Form 10QSB/A

Net Loss Before Provision for Federal Income Tax	\$ (97,046)	\$ (160,085)	\$ (683,200)
Provision for Federal Income Tax	0	0	0
Net Loss	\$ (97,046)	\$ (160,085)	\$ (683,200)
Average Outstanding Shares	\$ 22,591,237	\$ 22,473,104	\$ 11,217,092
Loss Per Share	\$ (.00)	\$ (.00)	\$ (.05)

2

DIRECT WIRELESS COMMUNICATIONS, INC.
(a Development Stage Company)

Statement of Changes in Stockholders' Equity From the Date of Inception (April 6, 2001) to June 30, 2002

	Common Shares	Stock Amount	Additional Paid-In Capital	Deficit Accumulated During Development Stage
	-----	-----	-----	-----
Balance - Beginning of Period	0	\$ 0	\$ 0	\$ 0
Contributed Services	0	0	15,019	0
Stock Issued for Cash	2,001,650	168,645	0	0
Stock Issued to Direct Wireless Corporation	10,138,975	0	0	0
Stock Issued to Officers	7,000,000	0	0	0
Stock Issued for Services	2,213,995	315,496	0	0
Stock Held In Escrow	77,500	0	0	0
Cash Received for Sale of Escrowed Shares	22,500	9,335	0	0
Net Loss	0	0	0	(523,115)
Balance - December 31, 2001	21,454,620	\$ 493,476	\$ 15,019	\$ (523,115)
Stock Issued to Officers as Loan Fees	100,000	7,000	0	0
Stock Issued for Cash	467,500	87,950	0	0

Edgar Filing: DIRECT WIRELESS COMMUNICATIONS INC - Form 10QSB/A

Services for Escrowed Shares	0	4,650	0	0
Stock Issued for Services	1,450,997	87,059	0	0
Net Loss	0	0	0	(160,085)
	-----	-----	-----	-----
Balance - End of Period	23,473,117	\$ 680,135	\$ 15,019	\$ (683,200)
	=====	=====	=====	=====

3

DIRECT WIRELESS COMMUNICATIONS, INC.
(a Development Stage Company)

Statement of Cash Flows
From the Date of Inception (April 6, 2001) to June 30, 2002

	Six Months Ended 6/30/2002 -----	From Inception (April 6, 2001) to 6/30/2002 -----
Cash Flows From Operating Activities		
Net Loss	\$ (160,085)	\$ (683,200)
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used for) Operating Activities:		
Services Contributed	0	15,019
Services Provided for Stock	98,709	414,205
Loss On Investments	0	218
Decrease in Accounts Payable	(6,507)	0
Increase in Other Receivable	(21)	(21)
	-----	-----
Net Cash Provided (Used) by Operating Activities	(67,904)	(253,779)
Cash Flows From Investing Activities		
Purchase of Mutual Funds	0	(9,043)
	-----	-----
Net Cash Provided (Used) by Investing Activities	0	(9,043)
Cash Flows From Financing Activities		
Cash from Sale of Stock	87,950	265,930
Advance from Direct Wireless Corporation	(16,100)	(10,499)
Advance from Shareholder	(1,200)	7,843
	-----	-----
Net Cash Provided (Used) by Financing Activities	70,650	263,274
Net Increase (Decrease) in Cash	2,746	452
	-----	-----
Cash, at Beginning of Period	(2,294)	0
Cash, at End of Period	\$ 452	\$ 452
	=====	=====

Edgar Filing: DIRECT WIRELESS COMMUNICATIONS INC - Form 10QSB/A

Non-Cash Transactions:

Services Contributed for Administration	\$ 0	\$ 15,019
	=====	=====
Stock Issued for Professional and Consulting Services	\$ 98,709	\$ 414,205
	=====	=====

4

DIRECT WIRELESS COMMUNICATIONS, INC.
(a Development Stage Company)

Notes to Financial Statements
June 30, 2002

Note A - Summary of Significant Accounting Policies

NATURE OF OPERATIONS AND DESCRIPTION OF DEVELOPMENT STAGE ACTIVITIES

Direct Wireless Communications, Inc. (the Company) has been in the development stage since the date of incorporation on April 6, 2001. The Company is primarily engaged in the activity of developing technology for a wireless telephone system. On May 15, 2001, the Company entered into a Technology Licensing Agreement with Direct Wireless Corporation (Direct Wireless). Under this agreement, Direct Wireless was granted a license to market and/or sublicense in the United States the wireless telephone communications technology on which Direct Wireless holds the patents. The Company has not yet begun operations. Upon completion of the working prototype telephone employing the technology, the Company intends to market and sublicense the technology primarily to existing service providers who desire to extend their services to sparsely settled areas or to public utilities who have customers in such areas and desire to provide wireless services to them.

BASIS OF ACCOUNTING

The financial statements of the Company have been prepared on the accrual basis of accounting. As such, revenue is recognized as earned and expenses are recorded when accrued. This basis of accounting conforms to generally accepted accounting principles.

INTERIM FINANCIAL STATEMENTS

The accompanying financial statements are prepared as of June 30, 2002, which is an interim reporting period for the Company. The Company's fiscal year ends on the last day of the calendar year for financial reporting purposes. The Company's fiscal year will be ending as of December 31, 2002.

BASIS FOR ASSIGNING AMOUNTS TO EQUITY SECURITIES ISSUED FOR OTHER THAN CASH

Shares of common stock issued to individuals and/or companies for other than cash have been assigned amounts equal to the fair value of the service provided or the fair value of the shares of the Company issued, whichever was most readily determinable.

Edgar Filing: DIRECT WIRELESS COMMUNICATIONS INC - Form 10QSB/A

CASH FLOWS

For the purpose of the cash flow statement, cash and cash equivalents represent funds deposited in banks and investments maturing within three months.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

5

DIRECT WIRELESS COMMUNICATIONS, INC.
(a Development Stage Company)

Notes to Financial Statements
June 30, 2002

Note B - Related Party Transactions

Direct Wireless Corporation provides office space and administrative services to the Company for the period ended June 30, 2002. The estimated value for the services provided totaled \$5,100 for the six months ended June 30, 2002 and are recorded as administrative services in the accompanying financial statements.

Note C - License Agreement

Effective April 30, 2001, the Company entered into a license agreement with Direct Wireless Corporation. Under the terms of the agreement, the Company has agreed to pay \$10,000,000 under the terms of the license agreement to be paid as the Company gains money from the sale or sales of sub-licenses for the United States. The Company has also agreed to pay a percentage of all fees collected of licensed products to Direct Wireless under the terms of the agreement.

The accompanying financial statements include \$42,210 of license fees expensed that have been paid to Direct Wireless for the six-month period ended June 30, 2002 and \$219,190 from inception. No amortization of such fees have occurred during the development stage.

Note D - Escrow Agreement

The Company has established an irrevocable escrow agreement with a brokerage firm. The funds received from the sale of escrow shares were recorded as additional capital in the accompanying financial statements. As of June 30, 2002, the escrow agent has 1,351,994 shares remaining in the escrow fund.

Note E - Federal Income Taxes

At June 30, 2002, the Company had net operating loss carryforwards totaling \$586,154 which expire in 2021. Realization of deferred assets resulting from the NOL carryforwards have been offset by a valuation allowance.

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

MANAGEMENT'S PLAN OF OPERATIONS.

At the present time, Direct Wireless Communications, Inc. has no cash requirements. It pays no compensation to its officers and directors and is being given office space at no charge by Direct Wireless Corporation.

To begin any operations, however, it will be necessary for Direct Wireless Communications, Inc. to raise funds in the next twelve months. The company has begun discussions with several financial institutions concerning its financing requirements. Within the next six months management intends to make a private placement of shares of common stock to accredited investors under Regulation D promulgated under the Securities Act of 1933. Management intends to raise \$3,000,000 in this manner for payment to Direct Wireless Corporation for the purpose of conducting field tests of the electronic components and circuitry specified in the completed systems specification analysis.

After field tests have begun, Direct Wireless Communications, Inc. intends to make a public offering of its common stock to raise enough additional capital to permit it to pay Direct Wireless Corporation the remaining \$7,000,000 of the initial license fee for the purpose of completing and testing a prototype of the system. Management expects that the field tests and the final phase of the testing can be completed within the next twelve months.

While Direct Wireless Corporation completes development of the new pre-production prototype, management of Direct Wireless Communications, Inc. will begin negotiations with prospective licensees and manufacturers in preparation for the performance testing and the manufacturing of the production systems and handsets. Management expects this process to take the next six to eight months to complete all the tasks necessary for a successful demonstration of the technology. Once this phase of the development is complete, management will concentrate its efforts for the next four months on negotiating and signing contracts with licensees for territories and for equipment purchases. Down payments on any contracts signed will represent the first income from operations for the company.

Direct Wireless Communications, Inc. does not expect that it will perform any product research and development or purchase any plant or significant equipment in the next twelve months. However, before marketing operations begin, the company expects to employ personnel with marketing experience.

Marketing Strategy.

Many regions in the United States are too sparsely settled to justify the expense of central call control centers required for cellular and other wireless technology. Because the Direct Wireless Corporation technology needs no central control center it is particularly suited to operate in these remote or isolated areas. The company intends to market the technology in rural areas of the United States that have limited cellular service or no wireless services of any kind. Rural, as defined by the Office of Management and Budget in Washington, D.C., and accepted for use by the U.S. Census and other government agencies, is generally defined as non-metropolitan areas of open country where less than 2,500 persons live. According to the 1990 United States census, 23% of the population was accountable to rural, non-metropolitan areas. This figure appears to be on the rise: according to the 1998 World Bank Economic Indicators, 34%, or 62 million people then lived in non-metropolitan, rural areas of the United

States.

7

The company intends to market and sublicense the technology to existing service providers who desire to extend their service to these sparsely settled areas or to public utility companies that have customers in these areas and desire to provide wireless services to their existing customers. The company does not intend to begin marketing activities until it appears that the field tests and final tests of the technology will be successfully completed. At that time, the company will employ sales personnel to present to existing providers of cellular and other telephone services the opportunity to extend their services to sparsely populated areas their services have not yet reached.

Under this marketing strategy the company does not expect competition from established cellular and/or other service providers, which are primarily located in urban markets and cannot afford to enter these rural markets because of the high cost of their equipment.

Direct Wireless Communications, Inc. will not be required to apply for separate FCC licenses. The technology does not set any requirements for pre-assigned licenses from the Federal Communications Commission. Direct Wireless Corporation has represented that the handsets may be manufactured to function normally on cellular and other wireless communication licensed frequencies where enough signal space and unoccupied licenses are available, as well as in ranges where no Federal Communications Commission licenses are required. Accordingly, the technology may be used by any existing service provider that has existing licenses and wishes to extend the nature of its services.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There is currently no litigation affecting the Company or in which the Company is engaged as a party.

ITEM 2. CHANGES IN SECURITIES.

There have been no material changes in securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

There has been no material default by the Company in the payment of principal, interest, a sinking or purchase fund installment or other material default in the Company's Senior Securities.

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

No matters have been submitted to a vote of the holders of the common stock or other securities of the Company during the reporting period other than for the amendment to the articles of the corporation .

ITEM 5. OTHER MATTERS.

There are no other matters upon which the Company is reporting.

PART II--OTHER INFORMATION (CONTINUED)

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

(a) No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

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

Direct Wireless Communications, Inc.
Registrant

Date: June 30, 2002

/s/ Robert S. Braswell IV

Printed Name Robert S. Braswell IV
Title President

Date: June 30, 2002

/s/ W. Steven Walker

Printed Name W. Steven Walker
Title Secretary