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DIRECT WIRELESS COMMUNICATIONS INC
Form 10QSB
May 14, 2003

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

FORM 10-QSB

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

For the quarterly period ended MARCH 31, 2003

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 (IRS Employer Identification No.)
incorporation or organization)

2068 N. VALLEY MILLS DR. WACO, TEXAS 76710
(Address of principal executive offices)

(512) 583-4500
(Issuer's telephone number)

(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: 29,825,564

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

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DIRECT WIRELESS COMMUNICATIONS, INC.
 (A Development Stage Company)
 Balance Sheet
 March 31, 2003

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3/31/03

ASSETS:

Current Assets

Cash	\$ 8,854
Total Current Assets	8,854

Other Assets

Accounts Receivable - Stockholders	1,200
Accounts Receivable - Sale of Escrow Shares	5,179
Accounts Receivable - Related Party	0
	6,379

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Total Assets \$ 15,233
=====

LIABILITIES AND STOCKHOLDERS' EQUITY:

Current Liabilities

Accounts Payable - Trade \$ 5,665

Total Current Liabilities 5,665

Total Liabilities 5,665

Stockholders' Equity

Common Stock, No Par Value, 200,000,000 Shares Authorized 29,825,564
Shares

Issued and Outstanding 878,243

Additional Paid-In Capital 40,519

Deficit Accumulated During Development Stage (909,194)

Total Stockholders' Equity 9,568

Total Liabilities and Stockholders' Equity \$ 15,233
=====

DIRECT WIRELESS COMMUNICATIONS, INC.
(A Development Stage Company)
Statements of Loss

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For the Quarter Ended March 31, 2003 and
the Period from April 6, 2001 (Date of Inception) to March 31, 2003

Quarter Ended
March 31,
2003

Revenues

Capital Gain (Loss) on Sale of Assets \$ 0

Dividend Income 0

Miscellaneous Income 0

Total Revenues 0

Expenses

Administrative Fees 5,100

Advertising 0

Auto Expense 0

Bank Charges 202

Dues and Subscriptions 59

Insurance 0

License Fees 15,500

Meals and Entertainment 17

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Office Expense	254
Other Expense	427
Outside Services	488
Postage and Delivery	71
Professional and Consulting Fees	6,240
Rent Expense	290
Repairs and Maintenance	184
Stock Transaction Fees	343
Telephone	32
Travel	1,104

Total Expenses	30,311

Net Loss Before Provision for Federal Income Tax	(30,311)
Provision For Federal Income Tax	0

Net Loss	\$ (30,311)
	=====
Average Outstanding Shares	29,821,120
Loss Per Share	\$ (0.00)

DIRECT WIRELESS COMMUNICATIONS, INC.

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Statement of Changes in Stockholders' Equity
For the Period from April 6, 2001 (Date of Inception)
to March 31, 2003

	Common Stock		Additional Paid-In Capital	Ac De
	Shares	Amount		
	-----	-----	-----	-----
Balance - April 6, 2001 (Inception)	0	\$ 0	\$ 0	\$
Contributed Services	0	0	40,519	
Stock Issued for Cash	2,469,150	256,455	0	
Stock Issued to Direct Wireless Corporation	10,138,975	0	0	
Stock Issued to Officers	7,100,000	0	0	
Stock Issued for Services	5,817,439	563,746	0	
Stock Held In Escrow	2,406,000	0	0	
Cash Received for Sale of Escrowed Shares	1,894,000	58,042	0	
Net Loss	0	0	0	

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Balance - March 31, 2003	----- 29,825,564 =====	----- \$ 878,243 =====	----- \$ 40,519 =====	----- \$ =====
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(a Development Stage Company)

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Statement of Cash Flows
From the Date of Inception (April 6, 2001) to March 31, 2003

	Three Months Ended 3/31/2003 -----
Cash Flows From Operating Activities	
Net Loss	\$ (30,311)
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used for) Operating Activities:	
Services Contributed	5,100
Services Provided for Stock	150
Loss On Investments	0
Decrease in Accounts Payable	(2,752)
Increase in Other Receivable	0

Net Cash Provided (Used) by Operating Activities	(27,813)
Cash Flows From Investing Activities	
Sale (Purchase) of Mutual Funds	0

Net Cash Provided (Used) by Investing Activities	0
Cash Flows From Financing Activities	
Cash from Sale of Stock	24,427
Advance from Direct Wireless Corporation	15,500
Advance (to) from Shareholder and Broker	(3,339)

Net Cash Provided (Used) by Financing Activities	36,588
Net Increase (Decrease) in Cash	8,775
Cash, at Beginning of Period	79

Cash, at End of Period	\$ 8,854

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Non-Cash Transactions:

Services Contributed for Administration	\$ 5,100
Stock Issued for Professional and Consulting Services	\$ 150

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

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Notes to Financial Statements
March 31, 2003

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 Communications 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 March 31, 2003, 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, 2003.

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

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readily determinable.

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 affect 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.

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

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Notes to Financial Statements
March 31, 2003

Note B - Related Party Transactions

Direct Wireless Corporation provides office space and administrative services to the Company for the period ended March 31, 2003. The estimated value for the services provided totaled \$5,100 for the three months ended March 31, 2003 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 \$15,500 of license fees expensed that have been paid to Direct Wireless for the three-month period ended March 31, 2003 and \$240,039 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 March 31, 2003, the escrow agent has 2,406,000 shares remaining in the escrow fund.

Note E - Federal Income Taxes

At March 31, 2003, the Company had net operating loss carryforwards totaling \$909,194, which expire in 2023. 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.

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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.

Management also recognizes the current market conditions and will in addition to the above seek to acquire or merge with an operating company in order to enhance shareholder value become an operating company and take advantage of current economic conditions to add value to under priced profitable companies.

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

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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.

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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.

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

PART II--OTHER INFORMATION (CONTINUED)

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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: May 12, 2003

/s/ Robert S. Braswell IV

Printed Name Robert S. Braswell IV
Title President

Date: May 12, 2003

/s/ W. Steven Walker

Printed Name W. Steven Walker
Title Secretary

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert S. Braswell IV, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Direct Wireless Communications Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and

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have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ Robert S. Braswell IV

Robert S. Braswell IV
President, Chief Financial Officer and Chief Accounting Officer

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CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the form 10-QSB of Direct Wireless Communications Inc. for the quarter ended March 31, 2003, I, Robert S.

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Braswell IV, President and Chief Financial Officer of Direct Wireless, hereby certify pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that;

Such Form 10-QSB for the quarter ended, March 31, 2003, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and the information contained in such Form 10-QSB for the quarter ended, fairly presents March 31, 2003, in all material respects, the financial condition and results of operation of Direct Wireless Communications Inc.

/s/ Robert S. Braswell IV

Robert S. Braswell IV
President and Chief Financial Officer