SIRICOMM INC
Form 10QSB
August 16, 2004

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
June 30, 2004 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 [X] No [ ]

The number of shares outstanding of the Registrant's Common Stock, $.001 par value, as of August 3, 2004 was 16,209,775

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

2

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

	June 30, 20 (unaudited
ASSETS	
Current assets:	
Cash	$ 1,400,28
Prepaid expenses and other current assets	695,78
Deferred loan costs, net	2,78
Total current assets	2,098,85
Furniture and equipment, net of accumulated depreciation of $56,809 and $41,701 as of June 30, 2004 and September 30, 2003, respectively	66,96
Total assets	$ 2,165,81
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
Current liabilities:	
Note payable, bank	$ 122,00
Current maturities of long-term debt:	
Officers and directors	
Other	25,00
Accounts payable	63,31
Accrued expenses and other current liabilities	300,21
Total current liabilities	510,52
Notes payable and long-term debt, less current maturities	
Other liabilities	
Total liabilities	510,52
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	21
Common stock - par value $.001; 50,000,000 shares authorized; 16,226,671 and 12,966,593 shares issued and 16,005,046 and 12,771,343 shares outstanding	

as of June 30, 2004 and September 30, 2003, respectively	16,22
Additional paid-in capital	8,590,12
Deferred compensation	(722,01
Deficit accumulated during the development stage	(6,229,25
Treasury stock, 195,250 shares at cost at September 30, 2003	
Total stockholders' equity (deficit)	1,655,29
Total liabilities and stockholders' equity (deficit)	$ 2,165,81

See Notes to Consolidated Financial Statements.

3

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

	Unaudited June 30, 2004		Unaudited June	
	For the Three Months Then Ended	For the Nine Months Then Ended	For the Three Months Then Ended	Fo M
Revenues	$ -	$ -	$ -	$
Operating expenses:				
General and administrative	125,220	283,055	83,097	
Salaries and consulting fees	1,000,368	1,771,286	561,004	
Stock-based compensation	-	50,000	-	
Research and development	(15,200)	14,270	18,274	
Write-off of notes receivable		-	-	
Depreciation	5,177	15,107	4,824	
Total operating expenses	1,115,565	2,133,718	667,199	
Operating loss	(1,115,565)	(2,133,718)	(667,199)	
Interest income	1,299	2,871	-	
Other income	37,205	37,223	-	
Interest expense	(5,189)	(23,869)	(10,565)	
Loan costs	(19,891)	(205,154)	(112,497)	
Net loss	$ (1,102,141)	$ (2,322,647)	$ (790,261)	$
Net loss per share, basic and diluted	$ (0.07)	$ (0.16)	$ (0.07)	$
Weighted average shares, basic and diluted	16,019,569	14,170,317	12,137,063	

See Notes to Consolidated Financial Statements.

SIRICOMM, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD FROM INCEPTION (APRIL 24, 2000) THROUGH JUNE 30, 200

	Preferred Stock		Common Stock		Additional		
	Shares	Amount	Shares	Amount	Paid-in Capital	Deferred Compensation	Accum 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
Balance, September 30, 2000	-	-	9,705	9,705	379,844	-	(3
Issuance of common stock			295	295	288,709		
Net loss for the year							(4
Balance, September 30, 2001	-	-	10,000	10,000	668,553	-	(8
Treasury stock acquisition (1,694 shares)							
Issuance of 1,472 treasury shares of common stock					(184,641)		
Net loss for the year							
Balance, September 30, 2002	-	-	10,000	10,000	483,912	-	(1,7
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			75,000	75	74,925		
Net loss for the period							(2,1
Balance, September 30, 2003 (unaudited)	-	-	12,966,593	12,967	3,847,485	-	(3,9
Conversion of debt to equity	213,417	213	426,592	426	642,759		

Stock issued for loan costs			9,593	10	13,670		
Stock issued for services			570,000	570	1,306,610	(722,016)	
Stock warrants- exercised			176,000	176	87,824		
Stock options issued for services					137,000		
Stock options exercised			20,000	20	19,980		
Proceeds from stock issuance			2,253,143	2,253	2,943,436		
Issuance of options to employees, net					50,000		
Treasury stock retired			(195,250)	(195)	(458,643)		
Net loss for the period							(2,3
Balance, June 30, 2004	213,417	$ 213	16,226,671	$16,227	$8,590,121	$(722,016)	$(6,2

See Notes to Consolidated Financial Statements.

5

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

	Nine Months Ended	
	June 30, 2004	June 30, 2003
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net loss	$ (2,322,647)	$ (1,495,801)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	15,107	14,470
Loan costs	179,154	344,172
Stock-based compensation for services	806,872	473,370
Stock-based compensation to employees	50,000	-
Settlement expense funded from debt acquisition	-	-
Write-off of note receivable	-	-
Other non-cash charges	1,373	-
Changes in assets and liabilities:		
Current assets	(141,175)	15,000
Current liabilities	(44,440)	175,426
Net cash used in operating activities	(1,455,756)	(473,363)
Cash flows from investing activities:		
Cash acquired in business combination	-	1,479
Acquisition of furniture and equipment	(27,311)	-
Proceeds from sale of equipment	-	-

Net cash provided by (used in) investing activities	(27,311)	1,479
Cash flows from financing activities:		
Issuance of notes receivables	-	-
Borrowings under line of credit, net	-	-
Proceeds from notes payables	-	530,000
Payment of notes payable	(226,640)	(91,904)
Payment of loan costs	-	-
Advances from (repayments to) officers, net	-	-
Proceeds from sale of common stock	3,053,689	-
Net cash provided by financing activities	2,827,049	438,096
Increase (decrease in) cash	1,343,982	(33,788)
Cash, beginning of period	56,300	44,304
Cash, end of period	$ 1,400,282	$ 10,516

See Notes to Consolidated Financial Statements.

6

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest	$ 11,385	$ 10,596

SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:

Issuance of 570,000 shares of common stock for services	$ 574,624	$ -
Conversion of debt to equity	$ 642,026	$ 1,107,000
Issuance of 9,842 shares of common stock for loan costs	$ 13,680	$ -
Debt assumed pursuant to reverse acquisition	$ -	$ 100,000
Stock offering costs funded through issuance of stock	$ -	$ 26,670
Acquisition of 1,694 shares of treasury stock	$ -	$ -
Stockholder contribution of stock options on behalf of the Company	$ -	$ 351,250
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 Consolidated Financial Statements.

7

SIRICOMM, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2004
UNAUDITED

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

Nature of operations:

SiriCOMM, Inc. - a Delaware corporation (the "Company"), through its wholly owned subsidiary of the same name which was incorporated in the State of Missouri on April 24, 2000, has developed broadband wireless application service technologies intended for use in the marine and transportation industries. The Company's development activities include integrating multiple technologies such as satellite communications, the Internet, wireless networking, and productivity enhancing software into commercially viable products and services. The Company expects to complete installation of the first phase of its proprietary wireless network and commence revenue-generating activities in late 2004.

Use of Estimates:

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 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:

The accompanying unaudited condensed consolidated financial statements reflect all adjustments that are in the opinion of the company's management, necessary to fairly present the financial position, results of operations and cash flows of the Company. Those adjustments consist only of normal recurring adjustments. The condensed consolidated balance sheet of the Company as of September 30, 2003 has been derived from the audited consolidated balance sheet of the Company as of that date.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K annual report for

2003 filed with the Securities and Exchange Commission.

The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

SIRICOMM, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2004
UNAUDITED

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. 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. The Company uses the Black-Scholes options-pricing model to determine the fair value of stock-based compensation and capital contributions.

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 and nine months ended June 30, 2004.

	Three Months	Nine M
Net loss, as reported	$ (1,102,141)	$ (2,3
Add back intrinsic values of stock issued to employees	--	
Less: stock-based employee compensation under the fair value based method	(21,500)	(2
Pro forma net loss under fair value method	$ (1,123,641)	$ (2,4
Net loss per common share-basic and diluted:		
As reported	$ (.07)	$
Pro forma under fair value method	$ (.07)	$

SIRICOMM, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2004
UNAUDITED

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

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.

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.

2. Note payable and long-term debt:

Note payable and long-term debt consist of the following June 30, 2004:

Bank line of credit, due on demand, but if no demand is made due in monthly payments of principal plus accrued interest through August 25, 2009. (a)	$ 122,000
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 March 3 through April 30, 2004. (b)	25,000
	$ 147,000

(a) Line of credit of $1,000,000, 80% guaranteed by the United States Department of Agriculture. Advances bear interest at prime plus 1.5% (adjusted quarterly) on the federally guaranteed portion and prime plus 3% (adjusted quarterly) on the remainder. Secured by substantially all assets of the Company, personally guaranteed by an officer.

(b) As of April 27, 2004, this amount was reduced by $50,000 due to repayment with interest. The remaining note of $25,000 is currently being renewed under similar terms.

10

SIRICOMM, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2004
UNAUDITED

3. Stockholders' equity:

The Company authorized the issuance of a class of convertible Preferred Stock. 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, the Company designated 500,000 shares of Series A Cumulative Convertible Preferred Stock. This stock has a par value of $0.001 and an annual dividend rate of $0.10 per share, payable in quarterly payments of $0.025 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. 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 2003, 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.

Also November 2003, the Company entered into a broker-dealer exclusive letter agreement of services, which included introduction to certain parties desirous of establishing a mutually advantageous relationship. The term of this agreement is six months. The compensation for these services is 34,000 shares of restricted stock, $2,500 per month paid over the term of the agreement, and an additional 66,000 shares of restricted stock to be issued later. The 100,000 shares include piggyback registration rights. This agreement was amended in early April to reduce further monthly installments to a total of $7,500 and the 66,000 additional shares.

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.

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 February 2004, a stockholder agreed to convert $24,000 in accounts payable to equity. In March 2004, certain debtholders agreed to convert $180,931 in principal and interest to equity. As discussed in Note 2, in the first and second quarters of fiscal 2004, the Company raised $1,515,000 and $410,000 respectively in connection with a private placement offering. The Company also raised $75,000 during the fourth quarter of fiscal 2003 in connection with the same offering.

3. Stockholders' equity (continued):

In March 2004, the Company issued 14,500 stock options to consultants for services rendered, and has committed to issue an additional 10,500 options with the same terms at a future date. The options are excercisable for $1 per share through December 31, 2013 and have an aggregate fair value of $57,500.

On April 5, 2004, the Company granted to Les Hazen, our National Sales Manager, 25,000 stock options, the shares underlying this option are registered on Form S-8 filed with the SEC on April 14, 2003 (SEC File No. 333-104508). The options are exercisable at $4.05 and have a ten year term. The options were granted under the Company's 2002 Equity Incentive Plan.

On April 7, 2004, the Company issued 436,000 shares of its Common Stock to Gunner Investments, Inc. pursuant to a consulting agreement. The shares were issued under the exemption from registration provided in Section 4(2) of the Act.

On April 7, 2004, the Company issued to the principals of Layne Morgan Technology Group an aggregate of 100,000 shares of its Common Stock and 150,000 three-year common stock purchases warrants exercisable at $1.50 per share pursuant to a consulting agreement. The shares and warrants were issued under the exemption from registration provided in Section 4(2) of the Act.

On April 21, 2004, the Company issued 7,000 shares of its Common Stock to Mr. Bobby Ray Weant as consideration for consulting services pursuant to the exercise of a stock option for a like number of shares. The option was granted to Mr. Weant under the Company's 2002 Equity Incentive Plan. The exercise price of the option was $1.00. The shares underlying the option were registered on Form S-8 on April 14, 2003 (SEC File No. 333-104508).

On May 1, 2004, the Company agreed to issue to Mark Sullivan, a network consultant, 150,000 three-year options, exercisable at $3.40 per share. The options were granted to Mark Sullivan and his designees under the Company's 2002 Equity Incentive Plan.

On May 4, 2004, the Company closed the sale of 328,143 units ("Units") at $3.40 per Unit to fourteen accredited investors. Each Unit consists of one share of the Company's Common Stock and one quarter (1/4) of a three-year warrant exercisable at $4.75 per share. The Units were issued under the exemption from registration provided in Section 4(2) of the Act.

12

SIRICOMM, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2004
UNAUDITED

4. Commitments and contingencies:

Litigation:

On July 26, 2003, the Company was named a defendant in a lawsuit for breach of settlement contract. In May, 2004, this matter was settled for $135,000 principal plus accrued interest of $10,000. This settlement releases the Company from any other liability in 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.

5. Subsequent Events:

On July 5, 2004, the Company granted to Vincent Toms, Senior Software Architect 10,000 options, the shares underlying this option are registered on Form S-8 filed with the SEC on April 14, 2003 (SEC File No. 333-104508). The options are exercisable at $4.50 per share. The options were granted under the Company's 2002 Equity Incentive Plan.

On July 24, 2004, the Company granted an additional 10,000 options to Derrick Woolworth, exercisable at $4.05 per share. The option was granted to Mr. Woolworth under the Company's 2002 Equity Incentive Plan. The shares underlying this option are registered on Form S-8 filed with the SEC on April 14, 2003 (SEC File No. 333-104508).

On July 30, 2004, the Company granted to ServeTheWeb.com, L.L.C. 2,979 shares of Common Stock as consideration for the purchase of billing software to be used by the Company. These shares are registered on Form S-8 filed with the SEC on April 14, 2003 (SEC File No. 333-104508). The shares were granted pursuant to the Company's 2002 Equity Incentive Plan.

As of August 4, 2004, the Company issued 19,500 shares of its Common Stock to Staunton McLane pursuant to the exercise of a stock option for a like number of shares. The exercise price of these options is $1.00. As of the date of this report, Staunton McLane has a balance of 80,500 options, each exercisable at $1.00 per share.

As of August 10, 2004, Mr. J. Richard Iler, the Company's Chief Financial Officer and a Director, exercised 3,500 stock options at $1.00 per share. The options were granted pursuant to the Company's 2002 Equity Incentive Plan.

13

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

Background

SiriCOMM, Inc. ("Company or SiriCOMM"), 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 As a result of the acquisition, the Company's business operations are those of the Missouri Corporation.

Critical Accounting Policies and Estimates:

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. 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 policies, 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 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, measured by a weighted average of closing share prices prior to each measurement date. Expected lives are estimated based on management's judgment of the time period by which these instruments will be exercised.

Information Relating To Forward-Looking Statements

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 to the extent applicable governments at various levels to 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 planned vertical-specific software, network technology, industry relationships, and low cost of operations will represent value to the commercial transportation industry and the government market.

SiriCOMM believes that its patent-pending network infrastructure solution will provide economic benefits when compared to other solutions. The architecture was developed to enable cost-efficient communications between truck drivers and their centralized management. Utilizing Wireless Fidelity (Wi-Fi) equipment and a proprietary remote server, the company will make available broadband data access at locations frequented by truck drivers. SiriCOMM is in the process of installing network access nodes at strategic locations nationwide. Each wireless local area network will be interconnected using satellite communications and the company's proprietary server solution. The point-to-multipoint broadcast feature of the company's network is expected to provide considerable cost-to-bandwidth efficiencies. At each ground location the satellite receiving equipment will be linked to SiriCOMM's remote server and the wireless local area network that provides connectivity for individual subscribers. This architecture enables high-speed two-way data communications as well as store and forward services based at the local server. The Company believes that this architecture provides the best possible combination of bandwidth, services, price, and suitability for service to its future customers.

15

SiriCOMM's software applications, branded Beacon, are intended to leverage this optimized data network to deliver cost reduction and productivity improvement opportunities to subscribing companies. For a flat monthly fee, Beacon subscribers will have access to a suite of productivity software, the Internet, e-mail, proprietary company intranet information, and similar business tools. Each Beacon subscription will initially include one Wi-Fi-enabled Palm OS handheld computer. Beacon is expected to become commercially available in late 2004, at which time SiriCOMM intends to charge a monthly subscription fee of $49.95 per user per month for its services.

The Company also will sell wireless Internet access subscriptions using its existing network infrastructure currently under installation. The service, branded "InTouch", will be available for sale to owner operators, highway travelers, or any individual requiring Internet access. InTouch is expected to become commercially available in late 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. This disciplined approach is important to the future success of the Company. First, a working prototype of the broadband wireless network and applications software was developed and refined. Patent applications are on file for the entire end-to-end system. Second, demonstrations of the prototype to qualified potential customers reaffirmed the feasibility of the network and the potential 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 favorable expressions from multiple industry sources. These include trucking companies, truck manufacturers, technology partners, trade associations, and government agencies.

The first generation of SiriCOMM products are intended to improve the availability, timeliness, and accuracy of communications and decision support tools for law enforcement agencies and trucking companies 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 has executed a services agreement with ViaSat, Inc. of Norcross, GA. The agreement includes redundant teleport (ground transmission station) services, satellite data transmission bandwidth, and remote site maintenance services at each of the SiriCOMM installations. The term of the agreement is sixty months and automatically renews an additional twelve months. ViaSat, under a separate agreement with Sat-Net, the manufacturer of the equipment, is performing the complete installation of each SiriCOMM network site.

16

SiriCOMM has executed a contract with Pilot Travel Centers, an operator of truck service facilities to install its network at each of the 255 Pilot Travel Centers locations nationwide. In addition to being a location partner, Pilot also will market SiriCOMM's services to its customers as a business partner in SiriCOMM's value-added reseller program. Together, the two companies anticipate leveraging their alliance to develop industry-related business solutions to benefit their mutual customer base.

SiriCOMM is negotiating with additional major truck stop organizations whose facilities would fill out the Company's initial plan for 400 network sites. SiriCOMM has entered into an agreement with Sat-Net Communications, LLC in which Sat-Net will construct and install SiriCOMM's network components including remote servers, VSAT dishes, and wireless LANs. The appraised value of each SiriCOMM installation is $10,000 exclusive of installation. The turnkey agreement provides cash and equity compensation to Sat-Net to include a cash payment per location for the first 400 sites and a maximum cash price increase of 15% on all subsequent turnkey installations. In addition, following installation of the first 400 sites, Sat-Net will receive 2 million (2,000,000) shares of SiriCOMM's common stock and 1 million (1,000,000) three year common stock purchase warrants exercisable at $2 per share. The agreement also provides that Sat-Net will provide software and network support for a monthly per site fee of $30.00. The initial 400 sites will have available capacity to service up to 250,000 users.

17

Results of Operations

From inception (April 24, 2000) through June 30, 2004, SiriCOMM has not generated any revenues. During the period from inception (April 24, 2000) through June 30, 2004, SiriCOMM had net losses totaling $ 6,229,255. During the three months and nine months ended June 30, 2004, net losses totaled $1,102,141 and $2,322, 647, respectively. From inception through June 30, 2004, SiriCOMM's general and administrative expenses totaled 899,497 or 16.6 % of total operating expenses, while for the three and nine months ended June 30, 2004 general and administrative expenses totaled $125,220 and $283,055 or 11.2 % and 13.2% of total operating expenses, respectively. From inception through June 30, 2004, SiriCOMM incurred salaries and consulting fees of $4,012,721 or 74% of operating expenses, of which $1,000,368 and $1,771,286, or 89.7 % and 83 % of total operating expenses were incurred during the three and nine months ended June 30, 2004, respectively. Of such amounts $1,428,293 and $806,872 were stock-based non-cash costs for the period from inception and the nine months ended June 30, 2004, respectively. Research and development costs were $350,489 or 6.4% of total operating expenses incurred in the period from inception (April 24, 2000) through June 30, 2004, while expenses incurred during the three and nine months ended June 30, 2004 totaled $(15,200) and $14,270 or 0.6 % of total operating expenses.

From inception through June 30, 2004, the Company has incurred interest expense $118,469, of which $5,189 and $23,869 was incurred during the three and nine months ended June 2004.

Liquidity and Capital Resources

On November 21, 2002, The Company completed the acquisition of all of the issued and outstanding shares of SiriCOMM, Inc., a Missouri Corporation. 9,623,195 shares of common stock were issued to the former shareholders of the Missouri Corporation. Furthermore, the Company issued 1,922,000 shares to retire

$1,000,000 of convertible debentures issued by the Missouri Corporation. As a result and following completion of the acquisition, the sole director of SiriCOMM resigned and four of SiriCOMM's new principal shareholders were elected in his place.

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

Since its inception, SiriCOMM has financed its activities primarily from short-term loans and private sales of its securities. 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 $550,000 was converted into preferred or common equity of the Company during the first and second quarters of fiscal 2004. The Company has also raised proceeds through the private sale of its equity. In March 2004 a private placement consisting of 2,000,000 units was completed, each unit consisting of one share of the Company's common stock and one three-year warrant exercisable at $2.00 per share. In May 2004, the Company completed a private placement of 328,143 units at $3.40 per unit. Each unit consisted of one share of common stock and one quarter (1/4) three year warrant exercisable at $4.75 per share. The Company received proceeds of $1,115,686.

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.

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 was for breach of contract and sought damages in the principal amount of $135,000 plus an additional $30,000 in alleged acceleration interest. In May 2004 this matter was settled by the Company paying the plaintiff $145,000, inclusive of accrued but unpaid interest.

Item 2: Changes in Securities and Use of Proceeds

(a) None

(b) None

(c) On April 5, 2004, the Company granted to Les Hazen, our National Sales Manager, 25,000 stock options, the shares underlying this option are registered on Form S-8 filed with the SEC on April 14, 2003 (SEC File No. 333-104508). The options are exercisable at $4.05 and have a ten year term. The options were granted under the Company's 2002 Equity Incentive Plan

On April 7, 2004, the Company issued 436,000 shares of its Common Stock to Gunner Investments, Inc. pursuant to a consulting agreement. The shares were issued under the exemption from registration provided in Section 4(2) of the Act.

On April 7, 2004, the Company issued to the principals of Layne Morgan Technology Group an aggregate of 100,000 shares of its common stock and 150,000 three-year common stock purchases warrants exercisable at $1.50 per share pursuant to a consulting agreement. The shares and warrants were issued under the exemption from registration provided in Section 4(2) of the Act.

On April 21, 2004, the Company issued 7,000 shares of its Common Stock to Mr. Bobby Ray Weant as consideration for consulting services pursuant to the exercise of a stock option for a like number of shares. The option was granted to Mr. Weant under the Company's 2002 Equity Incentive Plan. The exercise price of the option was $1.00. The shares underlying the option were registered on Form S-8 on April 14, 2003 (SEC File No. 333-104508).

On May 1, 2004, the Company agreed to issue to Mark Sullivan a network consultant, 150,000 three-year options, exercisable at $3.40 per share. The options were granted to Mark Sullivan and his designees under the Company's 2002 Equity Incentive Plan.

20

On May 4, 2004, we closed the sale of 328,143 units ("Units") at $3.40 per Unit to fourteen accredited investors. Each Unit consists of one share of the Company's Common Stock and one quarter (1/4) of a three-year warrant exercisable at $4.75 per share. The Units were issued under the exemption from registration provided in Section 4(2) of the Act.

On July 5, 2004, the Company granted to Vincent Toms, Senior Software Architect 10,000 options, the shares underlying this option are registered on Form S-8 filed with the SEC on April 14, 2003 (SEC File No. 333-104508). The options are exercisable at $4.50 per share. The options were granted under the

Company's 2002 Equity Incentive Plan.

On July 24, 2004, the Company granted an additional 10,000 options to Derrick Woolworth, exercisable at $4.05 per share. The option was granted to Mr. Woolworth under the Company's 2002 Equity Incentive Plan. The shares underlying this option are registered on Form S-8 filed with the SEC on April 14, 2003 (SEC File No. 333-104508).

On July 30, 2004, we granted to ServeTheWeb.com, L.L.C. 2,979 shares of Common Stock as consideration for the purchase of billing software to be used by the Company. These shares are registered on Form S-8 filed with the SEC on April 14, 2003 (SEC File No. 333-104508). The shares were granted pursuant to the Company's 2002 Equity Incentive Plan.

As of August 4, 2004, the Company issued 19,500 shares of its Common Stock to Staunton McLane pursuant to the exercise of a stock option for a like number of shares. The exercise price of these options is $1.00. As of the date of this report, Staunton McLane has a balance of 80,500 options, each exercisable at $1.00 per share.

As of August 10, 2004, Mr. J. Richard Iler, the Company's Chief Financial Officer and a Director, exercised 3,500 stock options at $1.00 per share. The options were granted pursuant to the Company's 2002 Equity Incentive Plan.

The cash proceeds of the above sales of securities of the company were used for general corporate purposes in developing the company's planned services.

(d) Not Applicable

Item 3.: Defaults upon Senior Securities

None

Item 4.: Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting held on May 11, 2004, the following five directors were elected by a majority of the outstanding shares of common stock of the Company. Each director was elected to one-year terms.

Henry P. (Hank) Hoffman
David N. Mendez
Kory S. Dillman
J. Richard Iler
Terry W. Thompson

At the same meeting, the shareholders ratified the appointment of BKD, LLP to serve as the Company's independent auditors for the fiscal year ended September 30, 2004.

Item 5.: Other Information

In April 2004, the Company entered into a five (5) year consulting agreement with Gunner Investments, Inc. ("Gunner"). Pursuant to this agreement, Gunner is to provide the Company with consulting services including utilizing its relationship with certain entities that may be beneficial to the business of the Company. As consideration for Gunner's services, the Company issued 436,000 shares of its common stock to Gunner. The shares are subject to forfeiture at

Company's option based upon Gunner's non-performance based on the following schedule:

If the agreement is terminated during:

Year 1	-	348,800	shares will be forfeited
Year 2	-	261,600	shares will be forfeited
Year 3	-	174,400	shares will be forfeited
Year 4	-	87,200	shares will be forfeited
Year 5	-	0	shares will be forfeited

In April 2004, the Company entered into a two (2) year consulting agreement with Layne Morgan Technology Group ("Layne"), whereby they agreed to provide the Company with consulting services including certain internet technologies, industry introductions and support from political lobbyists. As consideration for Layne's services, the Company issued 100,000 restricted shares of its common stock and 150,000 common stock purchase warrants, exercisable for three years at an exercise price of $1.50 per share.

In May 2004, the Company entered into a Memorandum of Understanding with Mark Sullivan ("Sullivan"), whereby Sullivan agreed to assist the Company in the development of its wireless network infrastructure, its software applications and certain other related products. As consideration for Sullivan's services, the Company agreed to issue 150,000 options, exercisable for three years at an exercise price of $3.40 in consideration of Consulting services.

In May 2004, the Company entered into a Memorandum of Understanding ("MOU") with Christenson Transportation, Inc. ("Christenson"), a trucking operator. The primary purpose of this transaction is for the Company to provide Christenson with ongoing productivity software applications that are designed to improve Christenson's fleet's daily operational functions, reduce operating costs, increase Christenson's employee productivity and enhance safety and security. The MOU has an initial term of 36 months and Christenson has agreed to pay the Company $49.95 each month for each registered subscriber.

In May 2004, the Company entered into a service agreement with Pilot Travel Centers LLC by which the parties agreed to become strategic partners. Through this partnership, the companies will work together to deliver SiriCOMM's value-based services to Pilot Travel Centers' 255 locations nationwide.

In June 2004, the Company entered into Memorandum of Understanding ("MOU") with Wil-Trans Transportation Management Corporation. The purpose of this transaction is for SiriCOMM to provide Wil-Trans with ongoing productivity software applications designed to improve Wil-Trans fleet's daily operational functions, reduce their operating costs, increase Wil-Trans employee productivity and enhance safety and security. To that end, SiriCOMM will provide its BEACON software and one PDA for each subscriber. In addition, SiriCOMM will provide its PULSE products which is SiriCOMM's remote vehicle diagnostics data and driver performance information tool. The term of this agreement is for 36 months.

In July 2004, the Company entered into a Memorandum of Understanding with DriverTech, Inc. of Salt Lake City, UT, a manufacturer of mobile client devices. This agreement provides for DriverTech to package and resell SiriCOMM's wireless network service along with its on-board computer system to the vehicle fleet market.

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).
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

(1) A Current Report on Form 8-K was filed on April 12, 2004 to report the change of the Company's independent auditors.

(2) A Current Report on Form 8-K was filed on May 4, 2004 to report the consummation of a $1,000,000 loan from Southwest Missouri Bank.

(3) A Current Report on Form 8-K was filed on June 3, 2004 to report the formation of a strategic partnership with Pilot Travel Centers LLC.

(4) A Current Report on Form 8-K was filed on June 17, 2004 concerning the election of Austin O'Toole to the Company's Board of Directors and appointment to the Audit Committee.

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: August 16, 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

25