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SIRICOMM INC  
Form 10QSB  
August 19, 2003

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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  
June 30, 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 August 14, 2003 was 12,224,150.

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PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

Condensed Consolidated Balance Sheets

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Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2003 and June 30, 2002	4
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SIRICOMM, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2003 (unaudited)
<b>ASSETS</b>	
Current assets:	
Cash	\$ 10,
Prepaid expenses and other current assets	243,
Deferred loan costs	279,
Due from affiliates	
Total current assets	533,
Furniture and equipment, net of accumulated depreciation of \$36,878 and \$22,408 as of June 30, 2003 and September 30, 2002, respectively	59,
Total assets	\$ 593,
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	
Current liabilities:	
Current maturities of notes payable and long-term debt	\$ 760,
Notes payable, related parties	41,
Accounts payable	148,
Accrued expenses and other current liabilities	368,
Total current liabilities	1,318,
Notes payable and long-term debt, less current maturities	
Total liabilities	1,318,
Stockholders' deficit:	
Common stock - par value \$.001; 50,000,000 shares authorized;	

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12,180,284 and 10,000,000 shares issued; 11,985,033 and 222,000 outstanding as of June 30, 2003 and September 30, 2002, respectively

Additional paid-in capital

Deficit accumulated during the development stage

Treasury stock, 195,250 and 222,000 shares as of June 30, 2003 and September 30, 2002, respectively

Total stockholders' deficit

Total liabilities and stockholders' deficit

12,

2,998,

(3,276,

(458,

(724,

\$ 593,

See Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2003		June 30, 2002
	For the Three Months Then Ended	For the Nine Months Then Ended	For the Three Months Then Ended
Revenues	\$ -	\$ -	\$ -
Operating expenses:			
General and administrative	83,097	217,144	21,819
Salaries and consulting fees	561,004	817,678	125,226
Research and development	18,274	62,867	88,593
Write-off of notes receivable	-	-	-
Depreciation	4,824	14,470	4,800
Total operating expenses	667,199	1,112,159	240,438
Operating loss	(667,199)	(1,112,159)	(240,438)
Other expenses:			
Interest expense	(10,565)	(39,473)	(13,043)
Loan costs	(112,497)	(344,169)	(50,000)
Net loss	\$ (790,261)	\$ (1,495,801)	\$ (303,481)
Net loss per share, basic and diluted	\$ (0.07)	\$ (0.16)	\$ (31.04)
Weighted average shares, basic and diluted	11,971,706	9,097,620	9,778

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See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended June 30, 2003 -----	Nine Months Ended June 30, 2002 -----
Cash flows from operating activities:		
Net loss	\$ (1,495,801)	\$ (711,095)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	14,470	9,321
Amortization of loan costs	-	50,000
Loan costs funded from stock issuance	344,172	-
Stock-based compensation	473,370	9,000
Settlement expense funded from debt acquisition	-	-
Write-off of note receivable	-	-
Changes in assets and liabilities:		
Current assets	15,000	-
Current liabilities	175,426	(10,989)
	-----	-----
Net cash flows from operating activities	(473,363)	(653,763)
	-----	-----
Cash flows from investing activities:		
Cash acquired in business combination	1,479	-
Acquisition of furniture and equipment	-	(57,819)
Proceeds from sale of equipment	-	1,406
	-----	-----
Net cash flows from financing activities	1,479	(56,413)
	-----	-----
Cash flows from financing activities:		
Issuance of notes receivables	-	-
Borrowings under line of credit, net	-	-
Proceeds from notes payables	475,000	1,027,304
Proceeds from notes payable, related parties	55,000	-
Payment of notes payable, related party	(14,000)	-
Payment of notes payable	(77,904)	(28,479)
Payment of loan costs	-	(50,000)
Advances from (repayments to) officers, net	-	(29,471)
Proceeds from sale of common stock	-	-
	-----	-----

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Net cash flows from financing activities	438,096	919,354
	-----	-----
Change in cash	(33,788)	209,178
Cash, beginning of period	44,304	895
	-----	-----
Cash, end of period	\$ 10,516	\$ 210,073
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest	\$ 10,596	\$ 3,038
	=====	=====

SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:

Conversion of debt to 6,372 shares of common stock	\$ -	\$ -
	=====	=====
Acquisition of 1,694 shares of treasury stock for a note payable	\$ -	\$ 253,524
	=====	=====
Stock offering costs funded through issuance of stock	\$ 26,670	
	=====	=====
Debt assumed pursuant to reverse acquisition	\$ 100,000	\$ -
	=====	=====
Conversion of debt to 1,922,000 shares of common stock	\$ 1,107,000	\$ -
	=====	=====
Stockholder contribution of stock options on behalf of the Company	\$ 351,250	\$ -
	=====	=====
Issuance of 1,189 shares of treasury stock for prepaid services	\$ -	\$ 35,670
	=====	=====
Stockholder contribution of 195,250 shares of common stock to the Treasury	\$ 458,838	\$ -
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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

Common Stock		Additional Paid-in Capital	Accumulated Deficit
Shares	Amount		
-----	-----	-----	-----

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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	-	-	-	(398,391)
	-----	-----	-----	-----
Balances, September 30, 2000	9,705	9,705	379,844	(398,391)
Issuance of common stock	295	295	288,709	-
Net loss for the year	-	-	-	(470,597)
	-----	-----	-----	-----
Balances, September 30, 2001	10,000	10,000	668,553	(868,988)
Treasury stock acquisition (1,694 shares)	-	-	-	-
Issuance of 1,472 treasury shares of common stock	-	-	(184,641)	-
Net loss for the year	-	-	-	(911,611)
	-----	-----	-----	-----
Balances, September 30, 2002	10,000	10,000	483,912	(1,780,599)
Reverse merger and reorganization	9,712,866	(277)	(247,892)	-
Stock issued for loan costs	98,418	98	210,513	-
Conversion of debt to equity	2,029,000	2,029	1,104,971	-
Stock issued for services	330,000	330	451,469	-
Stock warrants issued for services	-	-	185,000	-
Stockholder contributions	-	-	810,088	-
Net loss for the period	-	-	-	(1,495,801)
	-----	-----	-----	-----
Balances, June 30, 2003	12,180,284	\$ 12,180	\$ 2,998,061	\$ (3,276,400)
	=====	=====	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

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

Nature of business and basis of presentation:

SiriCOMM, Inc. is engaged in the development of broadband wireless application services technologies intended for use in the marine and transportation industries. SiriCOMM's development activities include integrating multiple technologies including satellite communications, the Internet, wireless networking, and productivity enhancing software into commercially viable products and services. SiriCOMM, Inc. expects to complete development activities and commence revenue-generating activities in late 2003.

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### Acquisition:

On November 21, 2002, SiriCOMM, Inc. (f/k/a Fountain Pharmaceuticals, Inc.), a Delaware corporation (the "Company" or "SiriCOMM") completed the acquisition of all the issued and outstanding shares of SiriCOMM, Inc. - a Missouri corporation ("SiriCOMM Missouri"). An aggregate 9,662,562 post-reverse split shares were issued to SiriCOMM Missouri shareholders. Furthermore, the Company agreed to issue the equivalent of 15.5% of the post-merger shares (1,922,000 post reverse split shares) to retire \$1,000,000 of convertible notes issued by SiriCOMM Missouri. As a result and following completion of the acquisition, the sole director of the Company resigned and four of SiriCOMM Missouri's principal shareholders were elected in his place. In connection with this transaction the Company changed its name to "SiriCOMM, Inc."

Since SiriCOMM Missouri is considered the acquirer for accounting and financial reporting purposes, the transaction has been accounted for in accordance with reverse acquisition accounting principles as though it were a recapitalization of SiriCOMM Missouri and a sale of shares by SiriCOMM Missouri in exchange for the net assets of the Company. The financial statements include the historical results of operations and cash flows of SiriCOMM Missouri from inception and operations of SiriCOMM Delaware from November 21, 2002 through June 30, 2003.

### Reporting periods:

In connection with the acquisition discussed above, the financial information has been presented on a September 30 fiscal year end.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

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

### Use of estimates:

The preparation of financials statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption 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 financial information:

The financial statements for the quarter ended June 30, 2003 and notes thereto should be read in conjunction with the financial statements and notes thereto for the year ended September 30, 2002 for the Company as filed in the annual report on Form 10-KSB, the quarters ended December 31, 2002 and March 31, 2003 as filed on Form 10-QSB and SiriCOMM Missouri as filed in an Amendment to Form 8-K filed with the SEC on

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February 4, 2003.

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 nine months ended June 30, 2003 and 2002 are not necessarily indicative of the results for a full year.

The report of the Company's independent auditors for the year ended September 30, 2002 contains an explanatory paragraph as to the substantial doubt of the Company's ability to continue as a going concern. No adjustments have been made to the accompanying financial statements to give effect to this uncertainty.

Financial instruments:

The carrying value of the Company's financial instruments, including cash, accounts payable and notes payable approximate their fair market values.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

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

Deferred loan costs:

The Company incurs costs to obtain financing. These costs primarily represent the fair market values of 1) common stock issued to lenders pursuant to notes payable the Company's agreements and 2) stock options granted by the President on the shares he holds of the Company's common stock. (Note 8) Loan costs are amortized over the terms of the notes payable.

Furniture and equipment:

Furniture and equipment is depreciated using the straight-line method over the assets' estimated useful lives of 5 years.

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 options granted. (There have been no options granted to employees since inception.) 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.

Research and development costs:



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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. Cost incurred subsequent to establishing technological feasibility, including coding and testing, will be capitalized.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

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

Income taxes:

Effective November 21, 2002, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. This method also requires the recognition of future tax benefits such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets are reviewed periodically for recoverability and valuation allowances are provided, as necessary.

Prior to November 21, 2002, the operations of SiriCOMM Missouri were included in the personal income tax returns of the stockholders under Subchapter S of the Internal Revenue Code. The acquisition described in Note 1 resulted in the revocation of the Company's S corporation election.

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 period. Diluted earnings per share reflect the potential 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.

Recent accounting pronouncements:

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. The statement amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. This statement is designed to improve financial reporting such that contracts with comparable characteristics are accounted for similarly. The statement, which is generally effective for contracts entered into or modified after June 30, 2003, is not

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anticipated to have a significant effect on the Company's financial position or results of operations.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

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

Recent accounting pronouncements (continued):

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The Company currently has no such financial instruments outstanding or under consideration and therefore adoption of this standard currently has no financial reporting implications.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Valuable Interest Entities. This interpretation clarifies rules relating to consolidation where entities are controlled by means other than a majority voting interest and instances in which equity investors do not bear the residual economic risks. This interpretation is effective immediately for variable interest entities created after January 31, 2003 and for interim periods beginning after June 15, 2003 for interests acquired prior to February 1, 2003. The Company currently has no ownership in variable interest entities and therefore adoption of this standard currently has no financial reporting implications.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

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 3). To date, SiriCOMM has not introduced its products and services commercially, and has limited assets, significant liabilities and limited business operations. Managements' plan of operations for fiscal 2003 has been for the Company to raise additional capital (\$6-\$10

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million) and build a network to service up to 250,000 simultaneous users. The construction of the initial network is estimated to cost \$4-\$6 million and is expected to be financed by a private sale of securities. At this time, there are no firm commitments on anyone's part to invest in the Company and if the Company is unable to obtain such financing, the technology may never be commercially sold. The Company is in discussions with two technology companies to provide "in kind" products and services in exchange for equity in the Company. Additionally, the Company has been the recipient of a \$1,000,000 Federally Guaranteed Economic Development loan by the U.S. Department of Agriculture predicated upon the Company's demonstration of raising \$1,000,000 of equity. The Company has issued a term sheet to several interested individuals with the intention of raising \$1,500,000. The Company is presently in discussions with existing shareholders, merchant bankers and other investment entities to obtain this funding.

Although the Company is encouraged by recent expression of interest, there can be no assurances that the Company will be successful in obtaining debt or equity financing in order to achieve its financial objectives 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 uncertainty.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

3. Notes payable:

Notes payable consists of the following at June 30, 2003.

Line of credit, bank, interest at 7%, secured by all assets of the Company (currently existing or thereafter acquired) and personally guaranteed by a stockholder of the Company, due July 20, 2004, or upon demand by the bank.	\$ 102,110
Note payable, former stockholder, bearing interest at 2.5%, unsecured principal and interest due in monthly installments of \$10,000 through May 2004 (a).	133,637
Notes payable bearing interest at 10%, unsecured, interest and principal due ranging from November 1, 2002 (b) through August 18, 2003.	150,000
Notes payable, bearing interest ranging from 4% to 8%, unsecured, interest and principal due on the date that the Company shall receive sufficient invested or borrowed sums to pay all amounts due.	50,000
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	

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ranging from October 31, 2003 through June 30, 2004.	325,000
	-----
	\$ 760,747
	=====

- (a) As of August 14, 2003, the Company was in default on this note payable. The former stockholder filed suit for breach of contract in July 2003 (Note 9).
- (b) As of August 14, 2003, the Company was in default with respect to notes payable covering \$125,000 of indebtedness. The Company is in discussions with the applicable lenders to extend the terms of these agreements.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

4. Notes payable, related parties:

In November and December 2002, the Company borrowed an aggregate of \$55,000 from one officer and one director of the Company. The notes bear interest at 4%, are unsecured, and are due the earlier of either the date on which the Company shall receive sufficient invested or borrowed sums to pay all amounts owed or June 30, 2003.

Interest expense for the nine months ending June 30, 2003 and 2002 was nominal.

5. Subordinated convertible debenture:

On February 20, 2002, the Company issued a 6% Subordinated Convertible Debenture (the "Debenture") due May 31, 2002, in the principal amount of \$100,000. The Debenture (principal and interest) was convertible into the Company's common stock at \$1.00 per share, which resulted in a beneficial conversion feature of \$100,000 at the time of conversion. The beneficial conversion feature amount was allocated to paid in capital and immediately charged to operations. On April 9, 2003, the Debenture and related accrued interest was converted to 107,000 shares of the Company's common stock.

6. Stockholders' deficit:

Common stock:

In November 2002, in connection with the merger discussed in Note 1, the Company combined the outstanding shares of common stock to a single class of common stock and affected a one-for-sixty reverse split of the outstanding shares. In connection therewith, the par value of the stock was decreased to \$0.001. Additionally, the authorized number of shares of common stock was increased to 50,000,000 shares and preferred stock authorized increased to 5,000,000 shares.

On November 21, 2002, the Company issued 9,662,562 post-reverse split common shares in exchange for all of the outstanding common stock of

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SiriCOMM Missouri.

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SIRICOMM, INC. AND SUBSIDIARY  
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

6. Stockholders' deficit (continued):

In November 2002, the Company issued 716,000 shares of its common stock registered with the SEC on Form S-8, at the fair market value of the stock for services based on a consulting agreement. In February 2003, it was determined by mutual consent of the parties to the consulting agreement that the agreement would be cancelled and all shares issued were returned to the Company. The registration statement with regard to these shares was withdrawn on March 12, 2003.

In January 2003, the Company issued 1,922,000 shares of its common stock in satisfaction of \$1,000,000 of convertible notes issued by SiriCOMM Missouri.

On April 9, 2003, the Company issued an aggregate of 107,000 shares of its common stock to an unaffiliated third party in connection with the conversion of \$107,000 of a subordinated convertible debenture and accrued interest. The shares were issued under the exemption from registration provided in Section 4(2) of the Securities Act of 1933.

On April 14, 2003, the Company issued an aggregate of 330,000 shares of common stock to the partners of Sommer & Schneider LLP (Joel C. Schneider (15,000) and Herbert H. Sommer (15,000)) in consideration of legal services performed on behalf of the Company and Robert Smith (300,000) for services rendered from April 2003 through June 2003 to the Company. These shares were issued under the Company's 2002 Incentive Stock Option Plan and are fully paid, non-assessable, validly issued and registered with the SEC pursuant to a Registration Statement on Form S-8 filed with the SEC on April 14, 2003.

From January through June 2003, the Company issued an aggregate of 98,418 shares of common stock (valued based on the average trading price of the stock for the previous 90 days or \$210,611) for loan costs incurred. The Company has also accrued approximately \$62,000 for loan costs related to shares due to be issued. The related expense of approximately \$143,000 is included as loan costs and the remaining balance of approximately \$130,000 is included as deferred loans costs in the accompanying financial statements.

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SIRICOMM, INC. AND SUBSIDIARY  
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

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### 6. Stockholders' deficit (continued):

#### Treasury stock:

In April 2003, the Company reacquired 195,250 shares of common stock as a contribution from a stockholder. These share are recorded at the fair market value of the Company's common on the date the shares were received by the Company.

#### Common stock warrants:

In May 2003, the Company entered into a consulting agreement whereby they are obligated to issue 370,000 common stock warrants with an exercise price of \$1.00 and a fair market value of \$458,838.

#### Black Scholes Assumptions:

The Company accounts for compensation costs associated with stock options issued to employees under the provisions of Accounting Principles Board Opinion No. 25 ("APB 25") whereby compensation is recognized to the extent the market price of the underlying stock at the date of grant 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 ("FAS 123"). There were no issuances of equity instruments to employees during the six months ended June 30, 2003.

The Company used the Black-Scholes options-pricing model to determine the fair value of each option grant as of the date of grant for consulting expense incurred. The following assumptions were used for grants in 2003: No dividend yield, expected volatility of 122.18%; risk-free interest rates of 2% and expected lives of 2 years.

#### 2002 Incentive stock option plan:

The Company has adopted and the shareholders have approved an incentive stock option plan (the "Plan") covering 3,000,000 post-reverse split shares of the Company's common stock, pursuant to which eligible participants of the Company and its subsidiaries and affiliates are eligible to receive stock options, stock appreciation rights, restricted stock performance stock awards and bonus stock until May 15, 2012.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

### 6. Stockholders' deficit (continued):

#### 2002 Incentive stock option plan (continued):

The Plan permits the granting of non-transferable stock options that are intended to qualify as incentive stock options ("ISO's) under section 422 of the (Internal Revenue code of 1986) and stock options

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that do not so qualify ("Non-Qualified Stock Options"). The option exercise price for each share covered by an option shall be determined by the Stock Option Committee but shall not be less than 100% of the fair market value of a share on the date of grant. The term of each option will be fixed by the Stock Option Committee, but may not exceed 10 years from the date of the grant in the case of an ISO or 10 years and two days from the date of the grant in the case of a Non-Qualified Stock Option. In the case of 10% stockholders, no ISO shall be exercisable after the expiration of five years from the date the ISO is granted.

Non-transferable stock appreciations rights ("SAR's") may be granted in conjunction with options, entitling the holder upon exercise to receive an amount in any combination of cash or unrestricted common stock of the Company as determined by the Stock Option Committee, not greater in value than the increase since the date of grant in the value of the shares covered by such right. Each SAR will terminate upon the termination of the related option.

Restricted shares of the common stock may be awarded by the Stock Option Committee subject to such conditions and restrictions as they may determine. The Stock Option Committee shall also determine whether a recipient of restricted shares will pay a purchase price per share or will receive such restricted shares without any payment in cash or property. No restricted stock award may provide for restrictions beyond ten (10) years from the date of grant.

Performance shares of common stock may be awarded without any payment for such shares by the Stock Option Committee if specified performance goals established by the Committee are satisfied. The Committee shall establish the maximum number of shares of stock to be issued to a designated employee if the performance goals are attained. The Committee must certify in writing that a performance goal has been attained prior to issuance of any certificate for a performance stock awarded to any employee.

The committee may also award shares of common stock as bonus stock to senior officers, consultants and employees designated by the Committee, without any payment for such shares and without any specified performance goals.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

6. Stockholders' deficit (continued):

2002 Incentive stock option plan (continued):

The Plan provides (a) in the event of a "Change of Control" (as defined in the Plan), unless otherwise determined by the Stock Option Committee prior to such Change of Control, or (b) to the extent expressly provided by the Stock Option Committee at or after the time of grant, in the event of a "Potential Change of Control" (as defined in the Plan), (i) all stock options and related SAR's (to the extent

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outstanding for at least six months) will become immediately exercisable; (ii) the restrictions and deferral limitations applicable to outstanding restricted stock awards and deferred stock awards will lapse and the shares in question will be fully vested; and (iii) the value of such options and awards, to the extent determined by the Stock Option Committee, will be cashed out on the basis of the highest price paid (or offered) during the preceding 60-day period, as determined by the Stock Option Committee. The Change of Control and Potential Change of Control provisions may serve as a disincentive or impediment to a prospective acquirer of the Company and, therefore, may adversely affect the market price of the common stock of the Company.

7. Income taxes:

Deferred tax assets consist of the following at June 30, 2003:

Net operating loss carryover	\$	543,000
Valuation allowance		(543,000)
		-----
	\$	-
		=====

Income tax (expense) benefit consists of the following at June 30, 2003:

Current:		
Federal	\$	-
		-----
Deferred:		
Deferred		-
Benefit of net operating loss carryover		543,000
Change in valuation allowance		(543,000)
		-----
		-
		-----
	\$	-
		=====

SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

7. Income taxes (continued):

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 before income taxes June 30, 2003 -----
Statutory tax rate	35.0%
State tax	3.5%



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Change in deferred tax asset valuation allowance	(38.5%)
	-----
Effective tax rate in accompanying statement of operations	0%
	=====

8. Related party transactions:

Stockholder contributions:

An officer and a major stockholder issued stock options on the Company's common stock owned by him on behalf of the Company. The fair value on the date of issuance of these stock options of approximately \$350,000 (calculated using the Black-Scholes formula - see Note 6) was recorded as a capital contribution to the Company. Loan costs of approximately \$200,000 and deferred loan costs of approximately \$150,000 have been included in accompanying financial statements.

9. Commitments and contingencies:

Consulting agreements:

In June 2003, the Company entered into a research consulting agreement which expires July 18, 2004. Pursuant to the agreement the Company is obligated to issue 55,944 shares of common stock, with a fair value of \$80,000, which were valued at the average trading value for the five days subsequent to the execution of the agreement. As of June 30, 2003, the Company had not issued these shares and therefore \$80,000 has been included in accrued expenses in the accompanying financial statements.

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SIRICOMM, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FROM INCEPTION (APRIL 24, 2000) TO JUNE 30, 2003  
(Unaudited)

9. Commitments and contingencies (continued):

Consulting agreements (continued):

On May 30, 2003, the Company entered into a business consulting agreement for \$10,000 paid monthly which expires May 30, 2004. Pursuant to the agreement the Company is obligated to issue 370,000 transferable warrants to purchase 370,000 shares of common stock of the Company for \$1.00 per share.

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. The action is for breach of settlement contract and seeks damages in the principal amount of \$134,000 plus an additional \$30,000 in alleged acceleration interest. The Company acknowledges the debt and will attempt to negotiate a settlement of this matter. In the meantime, the Company has retained counsel to respond to the Complaint.

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### 10. Subsequent Events:

#### Consulting agreements:

July 2, 2003, the Company entered into a business consulting agreement which expires on January 1, 2004. Pursuant to this agreement the Company is obligated to issue 200,000 shares of common stock to as compensation for the consulting services.

On August 7, 2003, the Company entered into a business consulting agreement which expires July 31, 2004. Pursuant to this agreement the Company is obligated to issue 416,000 shares of common stock to compensate for the consulting services. These shares are to be registered by the Company under the Securities Act of 1933 pursuant to a Registration Statement on Form S-8.

#### Promissory notes:

On July 29, 2003, the Company borrowed \$25,000 from a related party, a director of the Company. The loan provides for a one year maturity, and interest at 4 percent annually. In connection with the loan, the Company agreed to issue 9,842 shares of the Company's common stock and an officer/major stockholder agreed to issue 25,000 stock options on behalf of the Company.

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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"). In connection with the acquisition, the Company changed its name to SiriCOMM, Inc. and the former director resigned his positions with the Company and appointed Henry P. Hoffman, David Mendez, Kory S. Dillman and Tom Noland officers and directors of the Company. On March 14, 2003, Tom Noland resigned as an officer. On April 9, 2003, J. Richard Iler replaced Mr. Noland as an officer and director of the Company. On August 11, 2003, the Company appointed Terry Thompson as a director of the Company.

As a result of the acquisition, the Company's business operations are those of SiriCOMM.

#### Plan of Operations

SiriCOMM was incorporated in April 2000. SiriCOMM is engaged in the development of broadband wireless applications service provider technologies serving the marine and highway transportation industries. SiriCOMM'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. SiriCOMM, to date, has not introduced its products and services commercially and is considered a development stage enterprise. SiriCOMM has limited assets, significant liabilities and limited business operations. To date, activities have been limited to organizational matters,

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development of its products and services and capital raising.

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Management's plan of operation for the next twelve months is to raise additional capital and build a network to service up to 250,000 simultaneous users within six (6) months of raising capital. The construction of the initial network is estimated to cost \$4-6 million and is expected to be financed by the private sale of the Company's securities following the SiriCOMM Acquisition. There are no firm commitments on anyone's part to invest in the Company or SiriCOMM and if the combined entity is unable to finance the acquisition through the private sale of its securities or other financing, the SiriCOMM technology may never be commercially sold. The Company is in discussions with two technology companies to provide "in kind" products and services in exchange for equity in the Company. Additionally, the Company has been the recipient of a \$1,000,000 Federally Guaranteed Economic Development loan by the U.S. Department of Agriculture predicated upon the Company's demonstration of raising \$1,000,000 of equity. The Company has issued a term sheet to several interested individuals with the intention of raising \$1,500,000. The Company at this point has no assurances as to its ability to complete any of the above transactions.

The Company is presently in discussions with existing shareholders who have expressed a desire to infuse additional capital. Additionally, a Missouri based CAPCO has expressed interest in an equity contribution. The Company has engaged a merchant banker based in Connecticut to identify institutional investors who may similarly be interested in a private issue in this public entity. A Boston private equity firm is also reviewing the business plan to ascertain a possible interest.

From inception (April 24, 2000) through June 30, 2003, SiriCOMM has not generated any revenues. During the period from inception (April 24, 2000) through June 30, 2003, SiriCOMM had net losses totaling \$3,276,400. During the three months ended June 30, 2003, net losses totaled \$790,261. From inception through June 30, 2003, SiriCOMM's general and administrative expenses totaled \$580,828 or 21% of total operating expenses, while for the three months ended June 30, 2003 general and administrative expenses totaled \$83,097 or 13% of total operating expenses. From inception through June 30, 2003, SiriCOMM incurred salaries and consulting fees of \$1,809,123 or 65% of operating expenses, of which \$561,004, or 84% of total operating expenses was incurred during the three months ended June 30, 2003. Research and development costs were \$321,519 or 12% of total operating expenses incurred in the period from inception (April 24, 2000) through June 30 2003, while expenses incurred during the three months ended June 30, 2003 totaled \$18,274 or 3% 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.

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From inception through June 30, 2003, the Company has incurred interest expenses \$83,125, of which \$10,565 was incurred during the three months ended June 30, 2003.

In February 2002, SiriCOMM entered into four executive employee agreements with certain officers/directors. As part of these agreements, SiriCOMM is obligated to pay these individuals an aggregate annual compensation of \$525,000 through February 2005. On March 21, 2003 one of the executive officers resigned and his employment agreement was terminated. Accordingly, the Company's annual obligation was reduced to \$390,000.

Liquidity and Capital Resources

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Since inception, SiriCOMM has financed its activities primarily from short-term loans. As of January 1, 2003, the balance due on these loans aggregated \$1,579,623. In January 2003, 1,922,000 shares of common stock of the Company were issued in exchange for the satisfaction of \$1,000,000 of these loans. During the three months ended June 30, 2003, the Company borrowed an additional \$150,000. As of June 30, 2003, the balance due on these loans aggregated \$760,747.

As of June 30, 2003, SiriCOMM had total assets of \$593,323, of which \$533,736 was current. At June 30, 2003, SiriCOMM had total liabilities of \$1,318,320, all of which is current. SiriCOMM's working capital deficit and equity deficiency at June 30, 2003 were \$774,584 and \$724,997 respectively.

SiriCOMM is dependent on raising additional funding necessary to implement its business plan as outlined above. SiriCOMM's auditors have issued a "going concern" opinion on the financial statements for the year ended September 30, 2002, indicating that SiriCOMM is in the development stage of operations, has a working capital and net equity deficiency, is in default with respect to a portion of its loan agreements and has not yet generated revenues through August 14, 2003. These factors raise substantial doubt in SiriCOMM's ability to continue as a going concern. If SiriCOMM is unable to raise the funds necessary to build a network and fund its operations, it is unlikely that SiriCOMM will remain as a viable going concern.

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Forward Looking Statements. This report contains certain forward-looking statements that are based on current expectations. In light of the important factors that can materially affect results, including those set forth above and elsewhere in this report, the inclusion of forward-looking information herein should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. The Company may encounter competitive, technological, financial and business challenges making it more difficult than expected to continue to market its products and services; competitive conditions within the industry may change adversely; the Company may be unable to retain existing key management personnel; the Company's forecasts may not accurately anticipate market demand; and there may be other material adverse changes in the Company's operations or business. Certain important factors affecting the forward looking statements made herein include, but are not limited to (i) accurately forecasting capital expenditures and (ii) obtaining new sources of external financing. Assumptions relating to budgeting, marketing, product development and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause the Company to alter its capital expenditure or other budgets, which may in turn affect the Company's financial position and results of operations.

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### 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

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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 \$134,000 plus an additional \$30,000 in alleged acceleration interest. The Company acknowledges the debt and will attempt to negotiate a settlement of this matter. In the meantime, the Company has retained counsel to respond to the Complaint.

#### Item 2: Changes in Securities and Use of Proceeds

(a) None

(b) None

(c) From December 2002 through July 2003, the Company borrowed an aggregate of \$250,000 from seven unaffiliated third parties. In connection with these loans, the Company issued the lenders an aggregate 98,416 shares of its common stock. In connection with these loans, the Company's CEO issued an aggregate of 250,000 options to purchase shares of his own stock at \$1.00 per share. On August 8, 2003 Mr. Terry Thompson, who had lent the Company an aggregate of \$50,000 and received 19,684 of these shares and 50,000 of the aforementioned options, was elected a director of the Company. The shares were issued under the exemption from registration provided in Section 4(2) of the Securities Act of 1933. The lenders represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution of the securities and appropriate legends were affixed to the certificates. The Company utilized the proceeds of these loans for general working capital purposes.

On January 7, 2003, the Company issued an aggregate of 1,922,000 shares to two unaffiliated third parties in connection with the conversion of an aggregate of \$1,000,000

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of convertible notes. The shares were issued under the exemption from registration provided in Section 4(2) of the Securities Act of 1933. The lenders represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution of the securities and appropriate legends were affixed to the certificates.

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On April 9, 2003, the Company issued an aggregate of 107,000 shares to an unaffiliated third party in connection with the conversion of \$107,000 of a subordinated convertible debenture and interest. The shares were issued under the exemption from registration provided in Section 4(2) of the Securities Act of 1933. The lenders represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution of the securities and appropriate legends were affixed to the certificates.

On April 14, 2003, the Company issued an aggregate of 330,000 shares of Bonus Stock to the partners of Sommer & Schneider LLP (Joel C. Schneider (15,000) and Herbert H. Sommer (15,000)) in consideration of legal services performed on behalf of the Company and Robert Smith (300,000) for services to be rendered from April through June 2003 to the Company. Such shares were issued under the Company's 2002 Incentive Stock Option Plan and are fully paid, non-assessable, validly issued and registered with the SEC pursuant to a Registration Statement on Form S-8 filed with the SEC on April 14, 2003.

On June 2, 2003 the Company entered into a letter agreement with The Research Works, Inc. ("RW"), pursuant to which RW agreed to provide equity research with respect to the Company's common stock. Pursuant to the Agreement, the Company agreed to issue \$80,000 worth of the Company's common stock. Based on the price of the Company's common stock, the number of shares to be issued to RW is 55,944. To date, the Company has not issued these shares but intends on issuing them shortly.

On July 2, 2003, the Company entered into a consulting agreement with CLX & Associates pursuant to which the Company retained CLX to provide the Company with (i) short and long term strategic planning; (ii) short term crisis management; (iii) short and long term marketing (iv) meetings with qualified companies for joint business ventures; (v) contracting and interviewing qualified accounting firms and legal counsel; (vi) recruitment selection of key executives and staff; (vii) internet and website design; and (viii) recommending and identifying of board members. Pursuant to the agreement, the Company issued to Mr. Robert Weidenbaum, President of CLX & Associates, 200,000 shares of its common stock. Such shares were issued under the Company's 2002 Incentive Stock Option Plan and are fully paid, non-assessable, validly issued and registered with the SEC pursuant to a Registration Statement on Form S-8 filed with the SEC on April 14, 2003.

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(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

On May 30, 2003 the Company entered into a consulting agreement with Staunton McLane LLC. Pursuant to this agreement, Staunton McLane agreed to assist the Company in building its business both organically and strategically. The term of this agreement is for a minimum of 12 months, however, either party may cancel the agreement at the end of six months upon one month's written notice of cancellation. As compensation, the Company agreed to pay Staunton McLane \$10,000 per month and issue 370,000 5-year common stock purchase warrants exercisable at \$1.00 per share. To date, the Company has not paid any monies nor have they issued any warrants to Staunton McLane.

On August 7, 2003, the Company entered into a business consulting agreement which expires July 31, 2004. Pursuant to this agreement, the Company is obligated to issue 416,000 shares of common stock to compensate the Consultant. These shares will be issued from the Company's equity incentive plan, which has been registered under the Securities Act of 1933 pursuant to a Registration Statement on Form S-8.

### Item 6.: Exhibits and Reports on Form 8-K

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

- 10.1 Consulting Agreement dated July 2, 2003 between the Company and CLX & Associates.
- 10.2 Consulting Agreement dated June 2, 2003 between the Company and The Research Works, Inc.
- 10.3 Consulting Agreement and addendums dated May 30, 2003 between the Company and Staunton McLane LLC.
- 31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-15(e) and Rule 15d-15(e).
- 31.2 Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-15(e) and Rule 15d-15(e).
- 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

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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: August 19, 2003

SIRICOMM, INC.

By: /s/ Henry P. Hoffman

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Henry P. Hoffman, President  
and Chief Executive Officer

By: /s/ J. Richard Iler

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J Richard Iler, Executive Vice President  
and Chief Financial Officer

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