SKYLYNX COMMUNICATIONS INC
Form 10KSB
November 16, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(Mark One)

[X] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended June 30, 2004

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________________ to __________________________

Commission file number: 0-27635

SKYLYNX COMMUNICATIONS, INC.

(Name of registrant as specified in its charter)

Delaware	37-1465836
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 John Ringling Boulevard
Sarasota, Florida 34236
(Address of principal executive offices, including zip code)

Registrant's Telephone No., including area code: (941) 388-2882

Securities registered under Section 12(b) of the Exchange Act:

Title of each class Name of each exchange on which registered

None.

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.0001 par value

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such 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. [X] Yes [ ] No.

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

State issuer's revenues for its most recent fiscal year. $336,787

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)

At November 11, 2004, based upon the quoted closing price of $.18 per share, as quoted on the OTC Electronic Bulletin Board, the aggregate market value of the voting stock held by non-affiliates is $1,459,258.

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PAST FIVE YEARS

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

[ ]Yes [ ] No

APPLICABLE ONLY TO CORPORATE REGISTRANTS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of November 11, 2004 the Issuer had 16,626,161 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1990).

The following documents are incorporated herein by reference:

1.

Certificate of Incorporation of StarCom Wireless Networks, Inc. (Incorporated by reference from Current Report on Form 8-K filed May 7, 2003).

2. ByLaws of StarCom Wireless Networks, Inc. (Incorporated by reference from Current Report on Form 8-K filed May 7, 2003).

3. Certificate of Amendment to Certificate of Incorporation changing the name of the Company to SkyLynx Communications, Inc. (Incorporated by reference from Current Report on Form 8-K filed September 29, 2003).

4. Letter of Understanding dated December 13, 2001 (Incorporated by reference from Current Report on Form 8-K filed May 15, 2002.

5. Option Agreement dated December 13, 2001 (Incorporate by reference from Current Report on Form 8-K filed May 15, 2002.

6. Trust Agreement dated June 15, 2002 (Incorporated by reference from Annual Report on Form 10-KSB dated June 30, 2002 filed on October 15, 2002.

7. Agreement and Plan of Reorganization between Rover Telcom Corporation, Shareholders of Rover Telcom Corporation and Basic Technologies, Inc. (Incorporated by reference from Current Report on Form 8-K filed September 9, 2002).

8. Articles of Incorporation of Rover Telcom Corporation (Incorporated by reference from Current Report on Form 8-K filed September 9, 2002).

9. By-Laws of Rover Telcom Corporation (Incorporated by reference from Current Report on Form 8-K Filed September 9, 2002)

10. Asset Purchase and Lock-Up Agreement by and Between Rover Group, Inc. and Inforum Communications, Inc. (Incorporated by reference from Current Report on Form 8-K Filed September 9, 2002)

11. Agreement and Plan of Merger between Basic Technologies, Inc. and StarCom Wireless Networks, Inc. (Incorporated by reference from Current Report on Form 8-K Filed May 7, 2003)

12. Press Release dated July 17, 2003 Announces Termination Of Letter Of Intent And New Strategic Direction (Incorporated by reference from Current Report on Form 8-K filed July 17,2003)

13. SkyLynx Communications, Inc. 2002 Equity Incentive Plan (Incorporated by reference from Registration Statement on Form S-8 filed December 8, 2003)

14. Consultation and Securities Compensation Agreement between the Company and Carl Dilley dated November 4, 2003 (Incorporated by reference from Registration Statement on Form S-8 filed December 8, 2003)

15. Consultation and Securities Compensation Agreement between the Company and Clifford L. Neuman dated November 4, 2003 (Incorporated by reference from Registration Statement on Form S-8 filed December 8, 2003)

16. Agreement And Plan Of Reorganization by and Among SkyLynx Communications, Inc. Interim Corporate Resources LLC (Incorporated by reference from Current Report on Form 8-K filed December 23, 2003)

17. Common Stock Purchase Agreement between Gus Yepes and SkyLynx Communications, Inc. (Incorporated by reference from Current Report on Form 8-K filed May 14, 2004)

18. Joint Venture Agreement between Inversiones Sinalco, S.A., IdNet, S.A., and SkyLynx Communications Inc. . (Incorporated by reference from Current Report on Form 8-K filed May 14, 2004)

19. Escrow Agreement between Gus Yepes and SkyLynx Communications, Inc. . (Incorporated by reference from Current Report on Form 8-K filed May 14, 2004)

20. AVL Business Brochure (Incorporated by reference from Current Report on Form 8-K filed June 29, 2004)

21. Resignation letter From Steven S. Jesson dated September 2, 2004 (Incorporated by reference from Current Report on Form 8-K filed September 3, 2004)

Transitional Small Business Disclosure Format (Check one): Yes [ ]; No [X]

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PART I

ITEM 1. DESCRIPTION OF BUSINESS.

(a) Business Development

SkyLynx Communications, Inc. (the "Company") was formally known as StarCom Wireless Networks, Inc. from May 2003 through September 2003 and Basic Technologies, Inc. from inception through May 2003. The Company was organized under the laws of the State of Colorado on January 21, 1998. The Company was initially organized for the purpose of pursuing and completing a business combination with Yankee Development Corporation ("Yankee Development"), a Texas corporation engaged in the business of the acquisition and development of oil and gas ventures and related interests.

On April 23, 1998, the Company issued and sold an aggregate of 5,305,625 newly-issued, restricted shares, constituting approximately 90% of the then outstanding shares, of the Company's Common Stock in consideration of the exchange therefor of all 1,000 outstanding shares of common stock, no par value per share, of Yankee Development owned of record and beneficially by the Shelton Voting Trust. Immediately following the "reverse acquisition" transaction, the Shelton Voting Trust, the former owner of Yankee Development, controlled approximately 90% of the outstanding shares of Common Stock of the Company and Yankee Development became a wholly-owned subsidiary of the Company.

On October 16, 1998, the Company organized P & A Remediation, LLC (hereafter "PAR Texas"), a Texas limited liability company owned 99% and 1% by the Company and Simpco, Inc., respectively, for the purpose of engaging in the business of plugging oil wells, conducting environmental remediation of oil fields and salvaging the construction materials, pipe, steel tubulars and used oil field equipment for resale on the secondary market. Operations of this entity have been transferred to another subsidiary.

The Company, effective as of January 15, 1999, issued and sold a total of 850,000 newly-issued, restricted shares of Common Stock in consideration of the exchange therefor of all 10,000 outstanding shares of common stock, no par value per share, of Simpco. Simpco then became a wholly-owned subsidiary of the Company. Prior to its acquisition by the Company effective as of January 15, 1999, Simpco was operating and approved by the responsible regulatory agencies of the states of Texas and Oklahoma to be engaged in the business of oil well plugging, remediation and salvage activities. Operations of this entity have been transferred to another subsidiary.

On November 24, 1999, the Company organized P & A Remediation, LLC (hereafter "PAR Oklahoma"), an Oklahoma limited liability company, for the purpose of engaging in the business of plugging oil wells for industry and government in the state of Oklahoma, conducting environmental remediation of oil fields and salvaging the construction materials, pipe, steel tubulars and used oil field equipment for resale on the secondary market. Operations of this entity have ceased.

On December 31, 1999, the Company organized Cyber Cities Technologies, Inc. (hereafter CYBERTRON), a wholly-owned Hawaii corporation, for the purpose of receiving and operating the assets of an unrelated third party and thereafter to engage in the business of providing regional Internet provider services and computer consulting operations from Honolulu, Hawaii.

The Company, on March 16, 2000, issued and sold a total of 979,232 newly-issued, restricted shares of Common Stock in the company, in consideration for the conveyance and transfer of certain selected assets listed in (i) that certain Acquisition Agreement and Closing Memorandum between the Company and Cyber City Honolulu, Inc., (hereafter CCHONO) an unaffiliated third party; (ii) that certain Bill of Sale dated December 31, 1999 from Cyber City Honolulu, Inc. to Cyber Cities Technologies, Inc.; and (iii) that certain Assignment dated December 31, 1999, from Cyber City Honolulu, Inc., to Cyber Cities Technologies, Inc. The stock for assets transaction was accounted for under the purchase method. On June 14, 2002, Cyber Cities Technologies, Inc. changed its name to Cybertron, Inc. In August 2002, Cybertron, Inc. filed a voluntary petition under Chapter 11 of the Bankruptcy Code.

(b) Spin-Off and Change in Control.

Effective December 2001, the Company formed and organized a new subsidiary, Founders Industries, Inc. ("Founders") for the purpose of spinning off to its shareholders, pro rata, all of its interests in its then existing subsidiaries:

Yankee Development Corporation,

Simpco, Inc.,

P&A Remediation, LLC, a Texas limited liability company,

P&A Remediation, LLC, an Oklahoma limited liability company,

Oilfield Junk.com, LLC, a Texas limited liability company, and

Cyber Cities Technologies, Inc., a Hawaiian corporation.

When initially organized, the directors and officers of Founders Industries were the persons who served as directors and officers of Basic Technologies, to wit: Bryan L. Walker, Richard C. Smith, Michael L. Bacon, Derek T. Smith and Laura N. Walker.

Initially, Basic Technologies, Inc. held 100% of the outstanding shares of common stock of Founders Industries, which itself owns 100% of the outstanding shares of equity interest of each of the former Basic subsidiaries. Under the terms of the spin-off, Founders Industries will be spun-off to the shareholders of Basic Technologies, pro rata, in the nature of a stock dividend distribution, pursuant to which the Basic shareholders shall receive one share of Founders Industries for each share of Basic Technologies owned on the record date. The Company established February 8, 2002 as the record date for the spin-off. Only shareholders of record of Basic Technologies on the record date are entitled to participate in the spin-off distribution.

Founders Industries is in the process of preparing and filing a registration statement with the Securities and Exchange Commission registering the spin-off distribution of the shares of Founders Industries as described above. The spin-off will not occur until that registration has been declared effective by the Securities and Exchange Commission.

The formation of Founders Industries and its pending spin-off are transactions provided for under a Letter of Understanding dated as of December 13, 2001 between Basic Technologies, on the one hand, and Mr. Gary Brown, on the other. Under the terms of the Letter of Understanding, the spin-off of the existing operations and assets of Basic Technologies would occur through the formation and organization of Founders Industries. Concurrently with the execution of the Letter of Understanding, Mr. Brown entered into an Option Agreement with the Shelton Voting Trust. At the time, the Shelton Voting Trust was the record owner of approximately 5,305,625 shares of the Company's common stock, representing 46.5% of the then outstanding 11,548,356 shares of common stock. Bryan Walker, the Company's former President, CEO and Director, serves as Trustee of the Shelton Voting Trust. The beneficiaries of the Shelton Voting Trust are Bryan and Laura Walker as to 80% of its shares of the Company's common stock and Richard Smith, a former Director and Chief Financial Officer of the Company, as to 20% of its shares of the Company's common stock.

Under the terms of the Option Agreement, Mr. Brown was given the option to purchase from the Shelton Voting Trust an aggregate of 4,900,000 shares of common stock at a price of $.002 per share.

Effective May 1, 2002, in anticipation that Mr. Brown and his affiliates would complete the exercise of the option to acquire 4,900,000 shares of common stock of the Company from the Shelton Voting Trust and thereby effect a change in control of the Company, Bryan Walker, Laura Walker, Richard Smith and Derek Smith voluntarily resigned as officers and directors of the Company. Following such resignations, the remaining directors of the Company were Gary Brown, Steve Jesson and William Chastain. Mr. Chastain subsequently elected not to serve as a director.

Effective June 14, 2002, all of the options under the Option Agreement were exercised to acquire from the Shelton Voting Trust 4,900,000 shares of the Company's common stock. Mr. Brown had assigned to third parties the rights to acquire a portion of the shares pursuant to the exercise of such options. As a result, shares underlying the Option Agreement were acquired by the following persons with respect to the number of shares set forth below:

Gary L. Brown	1,543,675 shares
Rover Telcom Corporation	91,025 shares
Robert Todd	65,300 shares
Bridgeport Construction, Inc.	700,000 shares
American Merger Consultants, Inc.	500,000 shares
Milford Communications Partners	1,000,000 shares
Stephen L. Rogers	1,000,000 shares

The foregoing options were exercised in cash, for aggregate cash consideration of $10,000.

(c) Spin-Off Trust.

Effective June 15, 2002, the Company transferred to a spin-off trust all 8,198,356 shares of common stock of Founders Industries which were held for distribution to the Basic shareholders, pro rata, pursuant to the spin-off whose previously declared effective date was February 8, 2002. The trustee of the spin-off trust is Bryan Walker.

Under the terms of the spin-off trust, the trustee has taken delivery of all of the Founders spin-off shares pending completion of the registration statement, its having been declared effective and the completion of the spin-off distribution. Further, if the spin-off is not completed for any reason within two years, then the trustee has been authorized to dispose of the spin-off shares in any commercially reasonable fashion and to distribute the proceeds derived from that disposition to the Basic shareholders, pro rata, in lieu of the distribution of the shares of common stock of Founders Industries, Inc.

As a result of having entered into the spin-off trust agreement and transferring the shares of Founders Industries common stock held for distribution to the Basic shareholders, pro rata, the historical operations of the Company, now owned by Founders Industries, have become de-consolidated from the operations of the Company as of the effective date of the spin-off, to wit: June 15, 2002. As a result of this de-consolidation, the financial statements of Basic

Technologies, Inc. as of June 30, 2002, its fiscal year end, have been prepared without consolidation of the historical operations of the Company after December 31, 2001 whose assets are now held by Founders Industries.

(d) Acquisition of Rover Telcom Corporation.

Effective August 27, 2002, the Company consummated an Agreement and Plan of Reorganization pursuant to which it acquired 100% of the issued and outstanding shares of common stock of Rover Telcom Corporation. Rover Telcom Corporation had been an affiliated company of Mr. Brown and Mr. Jesson, Mr. Jesson having formerly served as a director of the Company until August 1, 2002. Under the terms of the acquisition, the Company issued an aggregate of 3,750,000 shares of common stock in exchange for 100% of the issued and outstanding shares of common stock of Rover Telcom Corporation. In the transaction, Mr. Brown received an aggregate of 1,875,000 shares of common stock, Kenneth Marshall, the Company's Secretary and General Counsel, received 750,000 shares of common stock and Mr. Jesson received 937,500 shares of common stock. Rover Telcom owns and operates an internet service provider serving the Fresno, California market.

(e)

Redomestication, Reverse Split and Name Change.

Effective May 7, 2003, the Company completed the following transactions:

1. The reverse split of its common stock by a ratio of 1-for-7;
2. Its redomestication to a corporation formed and organized under the laws of the State of Delaware; and
3. Its name change to "StarCom Wireless Networks, Inc."

Effective September 29, 2003, the Company changed its name again to "SkyLynx Communications, Inc."

(f) Acquisition of Interim Resources Corporation.

Effective December 10, 2003, the Company consummated an Agreement and Plan of Reorganization dated as of September 1, 2003 (the "Agreement") with Interim Corporate Resources, LLC, a Washington limited liability company ("ICR"). Under the terms of the Agreement, the Company acquired 100% of the issued and outstanding member interests of ICR solely in exchange for an aggregate of 700,000 shares of the Company's common stock. The 700,000 shares of common stock were issued to the members of ICR, pro rata, who were Kevin Gorman, Jon Fatula and Fred Anderson. Messrs. Gorman, Fatula and Anderson are executive officers of the Company.

Kevin Gorman currently serves as Chief Operating Officer of the Company and on September 13, 2004 he was also appointed to the Board of Directors of the Company; Mr. Fatula serves as Vice President - Information Technology, and Mr. Anderson serves as Vice President - Engineering. Messrs. Gorman, Fatula and Anderson have been employed by the Company since August 2003. Mr. Anderson resigned effective July 15, 2004.

ICR is a consulting company with established clients in the automatic vehicle location ("AVL") industry. ICR's assets consist principally of customer and client relationships which the Company plans to use in deploying and developing its wireless networks.

(g) Acquisition of SkyLynx Communications de Costa Rica S.A.

On November 28, 2003, the Company entered into a definitive Common Stock Purchase Agreement with Gustavo A. Yepes (the "Purchase Agreement") pursuant to which Mr. Yepes agreed to transfer and convey to the Company shares representing an aggregate of 75% of the issued and outstanding shares of common stock of DirectCom, S.A., a Costa Rican corporation.

Subsequent to entering into the Purchase Agreement, DirectCom, S.A. undertook a reorganization under the terms of a Joint Venture Agreement (the "Joint Venture Agreement") between Mr. Yepes, IdNet, S.A., a Costa Rican corporation, and Inversiones Sinalco, S.A., also a Costa Rican corporation. Under the Joint Venture Agreement, DirectCom, S.A. reorganized and changed its name to SkyLynx Communications de Costa Rica, S.A. ("SkyLynx Costa Rica") in contemplation of the consummation of the Purchase Agreement pursuant to which the Company would acquire 75% of the issued and outstanding shares of common stock of SkyLynx Costa Rica.

Effective April 30, 2004, the reorganization of SkyLynx Costa Rica was completed and Mr. Yepes transferred to the Company shares representing 75% of the issued and outstanding shares of common stock of SkyLynx Costa Rica, thus consummating the Purchase Agreement. In connection therewith, the Company issued to Yepes, in escrow, an aggregate of 300,000 shares of the Company's common stock in consideration of the shares of SkyLynx Costa Rica.

SkyLynx Costa Rica is the legal entity formed to implement the provisions of the Joint Venture Agreement under which the Company acquired 75% of the outstanding shares, IdNet acquired 20% of the outstanding shares and Inversiones Sinalco acquired 5% of the outstanding shares of SkyLynx Costa Rica.

Subsequent to executing the Purchase Agreement, Mr. Yepes was appointed Vice President, Latin American Operations, of the Company and has been serving as President of SkyLynx Costa Rica. He is responsible for implementing the Company's Costa Rican deployment and network operations.

(h) Consolidation

The financial statements for the fiscal year ended June 30, 2003 included in this report consolidate the activities of SkyLynx and its wholly-owned subsidiary, Rover TelCom Corporation, from August 27, 2002 to the fiscal year end June 30, 2003. The financial statements for the fiscal year ended June 30, 2004 consolidate the activities of SkyLynx and its wholly-owned subsidiary, Interim Resources Corporation, from December 10, 2003 to the fiscal year end June 30, 2004. . Additionally, the results of operations for its 75% owned subsidiary, SkyLynx Communications de Costa Rica, S.A. are included from acquisition on April 30, 2004 to the fiscal year end June 30, 2004

BUSINESS OF ISSUER

VISION/MISSION

- SkyLynx Communications, Inc. is dedicated to meeting the logistic needs of the Commercial fleet industry with special focus on the Emergency Medical Service (EMS), Police and Fire Department fleets critical to the First Response capabilities of Homeland Security. As a marketing driven company with a unique technological base, its goal is to establish a new paradigm in Automatic Vehicle Location Science (AVL) via a unique wireless data network that combines high-speed transfer capabilities with unparalleled geographic coverage over extended distances. Its mission is to provide First Response groups with a low cost, highly reliable tracking, monitoring and data networking system that maximizes vehicle and personnel utilization, enhances Homeland Security and reduces operational expenses through greater logistical control.

Technology

- SkyLynx's wireless communications technology with its specialized radio units, which operates in low frequencies (150 MHz), provides fixed and mobile wireless data communications capability with ranges of up to 50 miles compared to higher frequency technologies, such as cellular, which typically have a base station coverage radius of up to only 8 miles. Furthermore, the Company is developing capabilities, which dramatically improve the ability of these frequencies to handle higher data rates than previously achievable. This should make possible the transmission of larger files such as images or other megabyte files over much greater distances than presently available from other land based wireless systems. Federal licenses for these frequencies are so underutilized that the federal government is re-allocating these frequencies, making them readily available at negligible costs versus the $Billion plus investment required for the cellular networks. Finally, these lower frequencies have the additional advantage of being able to "bend" around natural and man-made obstacles, effectively extending the line of site required between two wireless devices. SkyLynx's network will consist of strategically located base stations (Wireless Relay Antennae Systems), which are used to communicate with fixed radio and mobile modems deployed in individual vehicles.

The Target

- SkyLynx intends to pursue a heavy user group strategy in its initial business-building phase giving priority to selling municipalities and ambulance companies with large first response fleets (50 + vehicles) and selected commercial carriers where the increased effectiveness and potential dollar savings from more efficient tracking and routing are the most dramatic; and the immediate sales volume leverage is the greatest.

The Opportunity

- Spearheaded by this technology and its First Response focus, the Company hopes to gain a significant share of the AVL Commercial Fleet market, which is estimated to reach $1 billion in revenues in 2004. Once this beachhead has been secured, the way will be clear to line extend into other commercial fleet segments e.g. delivery services (UPS, FedEx, food & beverage, etc.) and complementary markets such as:

* Local Information Services
* Utility Meter Reading
* Delivery Service Applications
* School Buses
* Auto, truck and heavy equipment leasing

BUSINESS STRATEGY

- Optimizing the logistics of ambulances, fire engines and police cars through more effective tracking and monitoring of individual vehicles is a major goal for municipalities and government agencies under the guidelines of Homeland Security. Whether responding to a major natural catastrophe or terrorist attack, being able to coordinate inter-agency assets and concentrate their first response units on the areas of greatest need in the shortest period of time is not just a question of efficiency and lower costs but of saving countless lives.

Awareness of AVL Potential

- A study in 2001 by The Strategis Group of the commercial fleet industry overall, revealed that nearly 50% of respondents were interested in purchasing an AVL system in the next three years and a significant 21% were definite in their purchase intentions.

The Strategy

- The Company's business strategy is to launch the SkyLynx network as the next generation in Automatic Vehicle Location Science (AVL) that provides First Response Groups and other commercial fleet segments with a low cost, highly reliable tracking; monitoring and data exchange system to maximize vehicle and personnel utilization; and reduced running expenses through greater logistical control. Beginning with a Western region deployment to work the model to profitability and then extending this to a nationwide basis.

SkyLynx's primary focus near term will be on selling municipalities and ambulance companies with large first response fleets (50 + vehicles) where the increased effectiveness and potential dollar savings from more efficient tracking and routing are the most dramatic; and, the immediate sales volume leverage is the strongest. The Company is convinced that its superior technology with its promise of:

* Improved First Response capabilities,
* Optimizing utilization of existing assets,
* Increased fuel economy,
* Increased worker productivity, and
* Enhanced services overall

could quickly place SkyLynx in the forefront of this commercial fleet segment, as a key factor in streamlining operations.

Current Contracts - The Company has installed one base station in the Seattle/Tacoma area and two more are planned to meet the requirements for a contract they have with Rural Metro Ambulance. This base station is successfully tracking the first vehicles installed. The Company has completed Phase 1 of installing several base stations in the Denver/Aurora area to meet the needs of another contract they have been awarded by Rural Metro Ambulance for this area.

Sales/Distribution Model

- The Company, through its own sales force, channel agreements and partners, will target municipalities and ambulance fleet owners as their mission critical prime prospect groups using outside after market sales brokers to provide additional support. SkyLynx will use specialized providers of radio equipment to the fleet industry as the main distribution channel for their radio units.

PRODUCT STRATEGY

- The Company's data network is designed for high availability through base station coverage overlap as well as redundancy of critical components within each base station, the network interconnecting base stations and the Network Operation Center utilized to collect and distribute customer data. Further, given the needs of Homeland Security, the wireless technology used by SkyLynx is highly resistant to disruption because of the sheer number of stations providing overlapping coverage and the speed at which downed operations can be reconstituted.

By partnering with other service providers the SkyLynx network will be able to establish a true nationwide geographic footprint of coverage (both urban and rural) that has been unobtainable in a cost effective fashion to date. The Company estimates that it will require approximately 2000 base stations to achieve this goal. It will partner with key 802.11 operators to provide high-speed data at access points and thus not incur a build-out cost for this portion. The monthly site rental is expected to range from $150 - $700 per site. The cost of a base station will range from $10,000 to $18,000 for sites equipped with telecommunication facilities for a total nationwide projected build-out cost of $30 million. This is less than it takes to provide cellular coverage for some metropolitan areas.

Industry Standard

- SkyLynx will concentrate its efforts on the marketing and sales of an "off-the-shelf" product to meet market requirements and to minimize the need for custom solutions. Manufacturing of the SkyLynx radio will be out-sourced. The Company's goal as first to market with this combination of abilities is to establish their product as the industry standard. An open architecture customer interface (published Open Architecture Interface or OAI) approach will enable users to quickly integrate existing systems and equipment while providing for backward compatibility to investments made in existing technologies.

SkyLynx has initiated consulting arrangements with several well-respected individuals within the EMS industry to provide assistance in the feature/function definition thus ensuring that a customer driven solution set is delivered.

Key Advantages

- The SkyLynx system has the following advantages:

* True extended coverage that exceeds that provided by cellular, PCS (Personal Communications Services) and conventional LMRS (Land Mobile Radio System) solutions.

* Reliable data communications over wide areas at rates significantly less than those charged by satellite based systems.

* A dedicated, encrypted secure wireless data network that is not congested by voice traffic within the band ensures reliable communications when it is needed.

* The Company's technological developments permit the transmission of very large files over greater distances than are currently available from any other land based wireless systems.

* A non-proprietary customer interface approach provides quick and easy integration with existing client technological platforms.

* With a very short pay back period due to low monthly fees, expected returns on initial capital is attractive.

* Short installation time to full market coverage due to relatively few base stations required.

* Planned obsolescence provides a clear path for the incorporation of new technologies maximizing the Company's ability to continue to meet new market demands.

* Benefits of using a multi-frequency band approach include:

    - Ability to take advantage of the strengths of each frequency and associated technologies while not being shackled to the disadvantages.

    - A dependable and dedicated data network that is not susceptible to the same disruptions that public and private voice and analog data networks experience.

MARKET ANALYSIS

Size of Key First Response Groups

Group	Number
EMS	887,523
Firemen	1,078,300
Police	1,041,000

Source: US Statistical Abstract 2002, US Fire Administration and EMS Magazine Study July 2003

Breakout of US Commercial Fleets by Size

- There were 29,493 commercial fleets with 50 or more vehicles, which represents only 39% of the 75,533 fleets, monitored in the commercial carrier study of 1995. But, with a combined count of 10.7 million, they accounted for 89% of the commercial vehicles in use. Currently, there are over 85,000 fleets in operation.

Fleet Size	Number of Fleets	Trucks Per Fleet Group in Millions	Percentage of Total Trucks
500 + Trucks	2,789	7.2	60.0%
100 - 499	12,568	2.5	20.8%
50 - 99	14,136	1.0	8.4%
25 - 49	21,538	.7	5.8%
1 - 24	24,502	.6	5.0%
Total	75,533	12.0	100.0%

Source: Commercial Carrier Journal, August 1995

Top Five Commercial Vehicle States

- The five largest States in terms of number of commercial vehicle registrations are California, Texas, Florida Ohio and New York.

Competitive Landscape

- The Company's primary competitors will be within the cellular and satellite industries. Whereas both technologies have their respective strengths, they each also possess distinct disadvantages that can be exploited. Movement towards the 3G technology (the next generation of cellular technology) in the cellular market provides a greater bandwidth for data transmission. The typical cell tower has a radius range of 3-5 miles (heavier traffic on a cell site tends to cause what is called cell breathing which will reduce the area served by that location). The inherent nature of the technology requires many expensive cell towers to service a small area. Due to their operating frequency and the cost to upgrade their networks, this serves to play to SkyLynx strengths for vehicle tracking and the need for more remote communications. (The cost to deploy and service a cell network directs their service towards a more typical population centric deployment versus geographic centric.) Furthermore the proliferation of 802.11 hotspots (wireless networks designed for localized service such as a building or the immediate vicinity) in the metro areas and at remote locations such as truck stops will serve to negate or minimize this advantage. Operating at a lower frequency extends the range served by any of the Company's base station sites to a 40 -80 mile radius. Vehicle tracking and data transmissions can still be effectuated even though there is a greater distance involved due to the ability of the Company's radio to use a lower frequency.

Satellites provides for a wide area of communications. Whereas they were initially designed with voice communications in mind, they can support an acceptable data transmission speed. However, due to the nature of sending a signal from outer space to earth, they are very susceptible to impediments such as mountains, buildings and trees. All of which serve to limit their ability to meet a given application. Additionally, their products are high in price due to the major investment required to launch and maintain a satellite.

MARKETING PLAN

- The Company's Marketing Plan is to launch the SkyLynx network as the next generation in the science of Automatic Vehicle Location (AVL). The Company will focus on Homeland Security's need to maximize the efficacy and cost efficiency of their First Response Groups as well as Emergency Medical Services overall in the areas of vehicle tracking and monitoring. SkyLynx will pursue a geographic segmentation strategy focusing on the Western Region of the United States, which includes California (the largest commercial vehicle state), Oregon, Washington and portions of Montana, Nevada, Arizona and Idaho. This will allow the Company to maximize its sales impact, while building the market share and momentum to roll out nationally.

SkyLynx will galvanize industry awareness and establish strong barriers to competitive entry by executing an aggressive brand building strategy that forges its breakthrough AVL story into one coherent and memorable message - a message where scientific innovation dedicated to the logistic needs of the nation's First Response Groups becomes the natural ally of long-term growth and profitability.

Market Considerations

1. Extremely Attractive Growth Prospects

   - The AVL market in the commercial fleet industry is estimated to reach $1 billion by 2005.

2. Market Receptivity

   - The commercial fleet industry is already primed for AVL solutions with a recent study indicating that 21% of responding fleet owners had definite intents to purchase.

3. Strong Competitive Position

   - The SkyLynx network provides true extended coverage that exceeds that provided by cellular, PCS (Personal Communications Services) and conventional LMRS (Land Mobile Radio System) solutions. Further, it offers data communications over wide areas at rates significantly less than those charged by satellite based systems.

4. Experience Management Team

- The SkyLynx Management Team has in-depth experience in many aspects of the wireless communications industry including management, operations, Internet applications, marketing, finance, technology and sales.

5. Marketing Impact

- The Company's geographic segmentation strategy focusing on the Western Region of the United States allows for highly targeted advertising and promotion that can create heavy impact with maximum cost efficiencies.

6. Strong Branding Potential

- The SkyLynx name and market focus can be the basis for a strong brand that in effect makes the Company synonymous with AVL service to the First Response segment of the commercial fleet industry.

FUTURE MARKETS

- Once the Company has established a strong position in the trucking industry, it can easily adapt and line extend its technology to serve complementary markets such as:

* Local Information Services,
* Delivery Services
* Utility Meter Reading
* Security Monitoring
* Remote data collection (snow pack, weather, ocean, railroad, etc.)

These markets represent executions of the following technologies:

Location Based Services (LBS)

LBS creates an environment where the ability of the Company's network brings unparalleled flexibility in actually delivering the content to a broader geographic footprint. This is one of the most serious drawbacks to a full implementation of these services.

According to the Allied Business Intelligence Inc (ABI) forecasts, there will be between 700 and 800 million wireless LBS subscribers by the end of 2006, representing almost half of the world's 1.7 billion wireless subscriber population in that year.

Allied Business goes on to say that while LBS will encompass a host of new services, the services can generally be separated into four categories:

* Information Services - Enhanced 411 or mobile yellow/white pages will allow mobile users to ascertain the location of the nearest gas station, hotel, ATM, movie theatre or point of interest. The users will also receive directions to those businesses and notification of their special offers.

* Safety Services - The safety services segment of LBS includes any type of emergency service, whether it is roadside assistance or emergency 911, in or out of the vehicle. The best example of this would be GM's OnStar in-vehicle information system (IVIS).

* Tracking Services - Many companies have been offering tracking services for vehicles and heavy machinery, to locate them when stolen. They can now be tracked by installing special transmitters in hidden locations on the vehicles. This could be extended to the marine industry to track and monitor boats.

* Location based billing - LBS will allow carriers to initiate the move from flat rate pricing for general coverage areas to allowing customers to further define their own coverage areas. Customers can personally define coverage zones based on the location of their home; work or school and can change those zones while traveling via their handsets. Businesses can customize their calling zones based on where they do the most business. By offering this simple flexibility in pricing, airtime use could increase significantly.

SkyLynx's robust network will support all of these services and deliver the content in a very cost efficient way. Through strategic partnerships additional services can be provided creating added value of the network and additional revenue streams.

Telematics

Telematics is the combination of telecommunications and computing, the most common meaning is information services delivered via a communications network. Automotive Telematics is the wireless exchange or delivery of communication, information and other content between the auto and/or occupants and external sources. The most prominent examples are General Motors' OnStar and Mercedes Benz' TeleAid." Services that can be provided include:

* Emergency roadside assistance;

* Stolen vehicle tracking;

* Automatic crash notification;

* Remote engine diagnostics;

* Navigation assistance; and

* Concierge services (such as ordering tickets, making reservations, etc.)

A segment that is growing at a more rapid pace within this industry can be found on the commercial side. Trucks leaving the manufacturing site are now equipped with on board computers that track speed, braking, engine temperature, oil pressure and a sundry of other items. The need to have this information transmitted back to a central location where this information can be monitored and analyzed is taking on new significance with regards to operational maintenance and support to load monitoring. The Company's radios make it uniquely positioned to offer a cost effective solution to meet these demands.

Consumer Automotive Telematics Service Preferences

- The potential in the consumer market is also great. A recent projectable consumer survey shows that a large percentage of respondents expressed strong interest in location-based Roadside Assistance, Stolen Vehicle Tracking and Navigation Assistance. As shown, interest of luxury vehicle drivers in Roadside Assistance service is consistent with the overall sample, but their interest in Stolen Vehicle Tracking and Navigation Assistance services is significantly above average.

Telemetry and SCADA (Supervisory Control And Data Acquisition)

The Company is positioned to meet the demands of these two applications. SkyLynx's wide area network provides the means by which the transfer of data can be effectuated and yet meet one of the most demanding requirements - low cost. A few of the market opportunities that represent the greatest opportunities can be found in the utility industry -meter reading, and the security industry - alarm notification. SCADA applications may involve two-way communications and are focused in on the management and control of assets/equipment that are typically dispersed over a large area. These applications may involve the controlling of machinery, the opening and closing of valves, opening or locking doors in a vehicle or controlling other remote equipment.

Use of the Company's network reduces labor costs and expedites an organization's ability to respond to changes in these remote operating environments. The extended geographic reach of the network presents a greater number of opportunities within these markets. There are extended applications as well such as inventory management, field force work orders, vending machine monitoring and pipeline monitoring.

The Strategis Group predicts wireless operators will have more than 10 million units in service by the year 2006. The leading customer segment will be the security and alarm industry, with other market segments like industrial equipment, vending, utilities and health care also providing a substantial customer base for operators and telemetry vendors. For instance, large construction firms also have demand for asset tracking and equipment positioning, which allows for efficient movement of millions of dollars worth of heavy equipment between jobsites, as well as assisting in the recovery of stolen equipment. Eventually, telemetry will become more or less standard in the wireless world as well as in the automotive industry.

Other markets that will be approached are the railroad industry, weather observation agencies, Department of Natural Resources, and harbor/maritime agencies.

Employees and Consultants

We currently have seven executive officers and key employees: Gary L. Brown, President and CEO, Kevin Gorman, Chief Operating Officer, Daniel J. Sullivan, Chief Financial Officer, Jon Fatula, Vice President-Information Technology, Joseph Williamson, Vice President - Field Engineering, Gus Yepes, Vice President of Latin American Operations and Kenneth L. Marshall, General Counsel.

ITEM 2. DESCRIPTION OF PROPERTY

During the fiscal year ended June 30, 2003, we did not maintain executive corporate offices. Mr. Brown operated from an office located in his residence in Sarasota, Florida. Effective October 15, 2003, we leased offices at 500 John Ringling Boulevard, Sarasota, Florida 34236. Our telephone number at that address is (941) 388-2882; facsimile (941) 388-2866.

The offices of our wholly-owned subsidiary, Rover Telcom Corporation, are located at 1315 Van Ness Avenue, Suite 103, Fresno, California 93721-1729. Our telephone number at that address is (559) 650-8100.

We also maintain West Coast corporate and engineering offices located at 643 Strander Blvd., Tukwila, Washington 98188. The telephone number at that address is (206) 575-1910; facsimile (206) 575-1877.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in a civil action that was brought by OptiGate, Inc. currently pending in the United States District Court for the Northern District of California, Fresno Division, Civil Action No. 03 CE CG 03733, in which the Plaintiff is claiming damages arising from a breach of contract. The Company has filed a counterclaim in the matter. Subsequent to filing the case, the Plaintiff filed a voluntary petition in bankruptcy under Chapter 7 of the United States Bankruptcy Code. The Company plans to vigorously defend the case, which it believes to have no merit. Management of the Company believes that the likelihood of a material adverse outcome is remote.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

From April 2001 to May 7, 2003, our common stock has traded on the Over-the-Counter Market and has been quoted on the OTC Electronic Bulletin Board under the symbol "BTEC." From May 8, 2003 until September 29, 2003, our common stock traded on the OTC Electronic Bulletin Board under the ticker symbol "SCWL." Beginning September 30, 2003, our ticker symbol was changed to "SKYC."

The following table sets forth the high and low prices for our common stock for each quarter during fiscal years 2003 and 2004. The prices listed below give retroactive effect to a 1-for-7 reverse split that was effected on May 7, 2003. The prices presented below are bid and ask prices, which represented price between broker-dealers and do not include retail markups and markdowns or any commission to the broker. The prices do not necessarily reflect actual transactions.

Common Stock

Quarter Ended

Low

High

September 30, 2002

$.09

$.11

December 31, 2002

$.28

$1.33

March 31, 2003

$.28

$1.19

June 30, 2003

$.28

$3.00

September 30, 2003

$.45

$.77

December 31, 2003

$.59

$.70

March 31, 2004

$.51

$.96

June 30, 2004

$.15

$.56

September 30, 2004

$.05

$.33

On November 11, 2004, the bid and ask prices of our common stock as quoted on the Bulletin Board were $.16 and $.18, respectively.

Factors we discuss in this form may have a significant impact on the market price of our common stock. Also, because of the relatively low price of our common stock, many brokerage firms may not effect transactions in the common stock.

In addition, our common stock is subject to rules adopted by the Commission regulating broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to "penny stocks" require a broker dealer, prior to a transaction in a "penny stock" not otherwise exempt from the rules, to deliver a standardized disclosure document prepared by the Commission. That disclosure document advises an investor that investment in "penny stocks" can be very risky and that the investor's salesperson or broker is not an impartial advisor but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in "penny stocks," to independently investigate the security, as well as the salesperson with whom the investor is working and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the "penny stock" is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities.

These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for our common stock. Many brokers may be unwilling to engage in transactions in our common stock because of the added disclosure requirements, thereby making it more difficult for stockholders to dispose of their shares.

Holders

As of November 11, 2004, the Company had approximately 239 shareholders of record. This does not include shareholders who held stock in accounts at broker-dealers.

Dividends

We have not declared or paid any cash dividends on our capital stock since inception and do not expect to pay any cash dividends for the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The financial statements for the fiscal year ended June 30, 2003 consolidate the activities of the Company and its wholly-owned subsidiary, Rover TelCom Corporation, from the date of acquisition, August 27, 2002, through June 30, 2003. The financial statements for the year ended June 30, 2004 consolidate the activities of SkyLynx Communications, Inc. and its subsidiaries SkyLynx Communications de Costa Rica S.A. and Rover Telcom Corporation from the date of acquisition through June 30, 2004. As a result, comparisons of results of operations for the recently completed fiscal year with the prior year are not particularly meaningful and are not indicative of the Company's present operations and future prospects.

RESULTS OF OPERATIONS - FISCAL YEAR ENDED JUNE 30, 2004 COMPARED TO YEAR ENDED JUNE 30, 2003

We reported a net loss of ($3,575,466) or ($.39) per share, for the year ended June 30, 2004. Our fiscal 2004 net loss included $830,226 in research and development costs related to Automatic Vehicle Location (AVL) line of business. Our fiscal 2004 net loss included $1,832,095 in stock based compensation. We occasionally compensate our officers, directors, consultants and attorneys for their services with common stock grants in order to save our cash. Our accounting policy is to record the stock-based compensation at the fair value of the stock issued based on quoted market prices at the time the services were performed. As a result, we take a noncash charge to our earnings each time we issue stock in lieu of cash payments.

In fiscal 2004, our operating unit was our subsidiary Rover Telcom, acquired on July 1, 2002. Rover Telcom is a local business to business internet service provider. Internet service revenue was $339,272, costs of services, consisting of internet connectivity charges, totaled $194,199 and the gross profit from our internet service was $145,073 in fiscal 2004.

Fiscal 2004 selling, general and administrative costs include the marketing and administration costs of our ISP as well as corporate overhead. Selling, general and administrative costs also include the charge off certain internal costs related to preliminary merger negotiations and charges for the restructuring of our operations.

Beginning August 1, 2003, we retained three key employees and began efforts to develop our wireless data network and AVL services. While that new business segment is being developed, we will continue to operate our ISP in Fresno, California but do not expect to generate significant revenues or profits from those operations. We hope that our new wireless data network will begin commercial implementation in the first calendar quarter of the year 2005, although there can be no assurances in this regard.

FISCAL YEAR ENDED JUNE 30, 2003 COMPARED TO YEAR ENDED JUNE 30, 2002

We reported a net loss of ($870,974) or ($.34) per share, for the year ended June 30, 2003. Our fiscal 2003 net loss included $195,740 in bad debt write-offs. We wrote off $117,611 in connection with the purchase of our internet service provider and $75,000 in advances to our merger candidate. The remainder, or $3,082, in bad expense was related to trade receivables. Our fiscal 2003 net loss included $283,000 in stock based compensation. We occasionally compensate our officers and directors for their services with common stock grants in order to save our cash. Our accounting policy is to record the stock-based compensation at the fair value of the stock issued based on quoted market prices at the time the services were performed. As a result, we take a noncash charge to our earnings each time we issue stock in lieu of cash payments.

In fiscal 2003, our operating unit was our subsidiary Rover Telcom, acquired on July 1, 2002. Rover Telcom is a local internet service provider. Internet service revenue was $418,430, costs of services, consisting of internet connectivity charges, totaled $232,768 and the gross profit from our internet service was $185,662 in fiscal 2003.

Fiscal 2003 selling, general and administrative costs include the marketing and administration costs of our ISP as well as corporate overhead. Selling, general and administrative costs also include certain internal costs related to preliminary merger negotiations and charges for the restructuring of our operations.

Results of operations for the fiscal year ended June 30, 2002 reflect the operations of our discontinued business which were spun off with Founders Industries, Inc. Revenues for the prior period consisted primarily of ISP revenues from the Honolulu, Hawaii market which have been spun off with the Founders Industries distribution. As a result, comparisons with the current fiscal year are not meaningful.

Similarly, selling, general and administrative expenses for the fiscal year ended June 30, 2002 reflect the prior operations of the Company which have been discontinued with the Founders Industries spin-off. Accordingly, comparisons with the current fiscal year are not meaningful.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

In fiscal 2004, our ability to generate adequate amounts of cash to meet our needs came from loans from principal shareholders and common stock sales. Principal shareholder advanced us approximately $102,000 and we raised approximately $995,000 through our stock sales. In fiscal 2003, our ability to generate adequate amounts of cash to meet our needs came from loans from principal shareholders and common stock sales. Principal shareholders advanced us approximately $220,000 and we raised approximately $79,000 through our stock sales. Until we establish profitable operations, our sources of liquidity will continue to be shareholder loans and common stock sales. Our internet service provider operations broke even in fiscal 2004 and 2003 and are not expected to provide operating cash in the foreseeable future.

Financial condition

Current assets

Current assets increased from $48,590 at June 30, 2003 to $56,652 at June 30, 2004.

Property and equipment

Property and equipment increased from $74,861 at June 30, 2003 to $208,805 at June 30, 2004. Provisions for depreciation in fiscal 2003 and 2004 were $42,778 and $43,703, respectively. Net property additions were $74,861 in fiscal 2003 and $177,647 in fiscal 2004.

Deferred acquisition costs

Deferred acquisition costs of $45,277 were capitalized in fiscal 2003. These capitalized costs were the out-of-pocket costs related to our merger negotiations. In fiscal 2004, these capitalized costs were charged to expense when the merger was abandoned.

Goodwill

Goodwill consists of an amount recorded with the acquisition of SkyLynx Communications de Costa Rica in April 2004 ($69,300); the acquisition of Interim Corporate Resources, LLC in December 2003 ($252,000); the acquisition of Rover in July 2002 ($262,500) and the goodwill recorded by Rover with the acquisition of Net Asset in April 2002 ($117,039). In accordance with Statements of Financial Accounting Standard ("SFAS") No. 142, goodwill is not amortized but is tested for impairment once a year.

Accounts payable, accrued salaries and other accrued liabilities

These amounts represent vendor and employee obligations.

Deferred revenue

Deferred revenue increased from $39,013 at June 30, 2003 to $62,962 at June 30, 2004. Deferred revenue represents internet service revenue collected in advance and funds received in advance for AVL operations. Substantially all of this revenue will be recognized in fiscal 2005.

Loan payable to related party

Related party loans increased from $145,680 at June 30, 2003 to $247,800 at June 30, 2004 and represents net cash advances received from related parties. In fiscal 2003, related parties advanced approximately $299,045 to us for operations and the Company repaid approximately $74,320 with shares of common stock. In fiscal 2004, related parties advanced the Company approximately $102,120.

Our strategy in the near future is to focus on developing our AVL business.

We have incurred losses since inception and have an accumulated deficit. Without additional infusions of capital, there is substantial doubt about our ability to continue as a going concern. In fiscal 2003, the primary source of working capital has been loans from our principal shareholder, Gary Brown and from, the sale of common stock through private placements. We have no commitment from Mr. Brown to provide future working capital or that the Company will be successful in selling additional shares of its stock.

For the fiscal year ended June 30, 2004, we had a net loss of $3,575,466 and operating activities was a net user of cash in the amount of $963,605. Financing activities was a net provider of cash in the amount of $1,097,565. The largest source of financing activities that provided cash in fiscal 2004 was the sale of common stock. For the fiscal year ended June 30, 2003, we had a net loss of $870,974 and operating activities was a net user of cash in the amount of $232,646. Financing activities was a net provider of cash in the amount of $299,045. The largest source of financing activities that provided cash in fiscal 2003 were advances from related parties.

As of June 30, 2004, we had no contractual capital commitments outstanding.

In the event that future operating cash flows do not meet all our cash requirements, we will need additional financing. Success in raising additional financing is dependent upon our ability to demonstrate that we can fulfill our business strategy, which is highly speculative. Should we need additional financing through debt or equity placements, there is no assurance that such financing will be available, if at all, at terms acceptable to the Company. If additional funds are raised by the issuance of equity securities, stockholders may experience dilution of their ownership interest and these securities may have rights senior to those of the holders of our common stock. If additional funds are raised by the issuance of debt, we may be subject to certain limitations on our operations, including limitations on the payment of dividends. If adequate funds are not available on acceptable terms, we may be unable to pursue our business strategy, take advantage of acquisition opportunities, develop or enhance services or respond to competitive pressures, any of which could have a materially adverse effect on our business, financial condition and results of operations.

We expect losses from operations and negative cash flow to continue for the foreseeable future. The rate at which these losses will be incurred may increase from current levels. If our revenue does not increase and if our spending levels are not adjusted accordingly, we may not generate sufficient revenue to achieve profitability, which would have a materially adverse effect on our business, financial condition and results of operations.

Our working capital requirements depend on numerous factors. We anticipate incurring additional expenses to increase our infrastructure development. In addition, we will continue to evaluate possible investments in businesses, products and technologies.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to the financial statements. We believe our most critical accounting policies include revenue recognition, accounting for impairment of long-lived assets, and accounting for research and development expenses.

Revenue Recognition

- The Company recognizes revenue when earned, in accordance with American Institute of Certified Public Accountants Statement of Position (SOP) 97-2, *Software Revenue Recognition, SOP 98-9, Modification of SOP 97-2 with Respect to Certain Transactions and SEC Staff Accounting Bulletin 101, Interpretive Guidance on Revenue Recognition*. Royalties based upon licensees' revenues or usage are recognized as licensees' revenues are earned or usage occurs. Maintenance and subscription revenue is recognized ratably over the contract period. Revenue attributable to significant undelivered elements is recognized over the contract period as elements are delivered. Revenues from fixed-price service contracts and software development contracts requiring significant production, modification, or customization are recognized using the percentage-of-completion method. Revenue from service contracts that are based on time incurred is recognized as work is performed.

Impairment of Long-Lived Assets

- The Company accounts for the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Long-lived assets such as intellectual property are recorded at cost and amortized over their estimated useful lives. The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Should the Company determine that a long-lived asset is impaired, an impairment loss is recognized in the amount the carrying amount of the asset exceeds its fair value.

Research and Development Costs

- The Company accounts for research and development costs in accordance with Statement of Financial Accounting Standards No. 86*, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*. SFAS No. 86 specifies that costs incurred internally in creating a computer software product should be charged to expense when incurred as research and development until technological feasibility has been established for the product. Once technological feasibility is established, all software costs should be capitalized until the product is available for release to customers. Judgment is required in determining when the technological feasibility of a product is established. The Company has determined that technological feasibility for its products is reached shortly before the products are released. Costs incurred after technological feasibility is established are not material, and accordingly, the Company expenses all research and development costs when incurred.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has applied the provisions of Statements of Financial Accounting Standards Nos. 141 through 146. Implementation of these statements did not result in a material effect on the Company's financial position or operating results as of June 30, 2003.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The Interpretation elaborates on the disclosures to be made by sellers or guarantors of products and services, as well as those entities guaranteeing the financial performance of others. The Interpretation further clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are effective on a prospective basis to guarantees issued or modified after December 31, 2002, and the disclosure requirements are effective for financial statements of periods ending after December 15, 2002. The Company believes that its disclosures with regards to these matters are adequate as of June 30, 2003.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123. This Statement amends FASB No. 123, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, it amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. As of June 30, 2004, the Company continues to follow the intrinsic value method to account for stock-based employee compensation. The additional disclosure requirements of this statement have been included in the Company's financial statements for the year ended June 30, 2004.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). This interpretation explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity to decide whether to consolidate that entity. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risks will not be consolidated unless a single party holds an interest or combination of interest that effectively recombines risks that were previously dispersed. This interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 did not have a material effect on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material impact on the Company's financial position or results of operations.

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 otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. For financial instruments created before the issuance date of this Statement and still existing at the beginning of the interim period of adoption, transition will be achieved by reporting the cumulative effect of a change in accounting principle by initially measuring the financial instruments at fair value or other measurement attribute required by this Statement. The adoption of SFAS No. 150 is not expected to have a material impact on the Company's financial position or results of operations.

ITEM 7. FINANCIAL STATEMENTS

Financial statements are included herewith.

SKYLYNX COMMUNICATIONS, INC.

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Report of Independent Auditors

To the Audit Committee of
SkyLynx Communications, Inc.:

We have audited the accompanying consolidated balance sheet of SkyLynx Communications, Inc., a Delaware Corporation and subsidiaries as of June 30, 2004, and the related consolidated statements of operations, shareholders' deficit, and cash flows for the years ended June 30, 2004 and 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SkyLynx Communications, Inc. and subsidiaries as of June 30, 2004, and the results of their operations and their cash flows for the years ended June 30, 2004 and 2003 in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, and has a working capital deficit and net capital deficit at June 30, 2004, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cordovano & Honeck, P.C.
Denver, Colorado
November 11, 2004

SKYLYNX COMMUNICATIONS, INC.
(Formerly StarCom Wireless Networks, Inc.)
Consolidated Balance Sheet
June 30, 2004

Assets	
Current assets:	
Cash	$ 22,712
Accounts receivable, net of allowance of $5,598	29,345
Employee advances	925
Prepaid expenses	3,670
Total current assets	56,652
Property and equipment, net of accumulated depreciation of $104,103 (Note 3)	208,805
Goodwill (Note 1)	700,839

Other assets	14,304
	$ 980,600

Liabilities and Shareholders' Deficit

Current liabilities:	
Accounts payable	$ 452,284
Accrued salaries	488,928
Other accrued liabilities	34,985
Deferred revenues	62,962
Loan payable to related parties (Note 2)	247,800
Total current liabilities	1,286,959
Commitments (Note 7)	-
Shareholders' deficit (Note 4):	
Preferred stock, $.0001 par value; 10,000,000 shares authorized,	
-0- shares issued and outstanding	-
Common stock, $.0001 par value; 100,000,000 shares authorized,	
14,671,445 shares issued and outstanding	1,467
Additional paid-in capital	4,964,417
Retained deficit	(5,272,243)
Total shareholder's equity	(306,359)
	$ 980,600

See accompanying notes to consolidated financial statements.

SKYLYNX COMMUNICATIONS, INC.
Consolidated Statements of Operations

	Years Ended June 30,	
	2004	2003
Internet service revenue	$ 339,272	$ 418,430
Costs of direct Internet service	194,199	232,768
Gross profit	145,073	185,662