

Edgar Filing: SIRICOMM INC - Form 10QSB

SIRICOMM INC
Form 10QSB
August 10, 2006

=====

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, 2006

Commission File No. 0-18399

SIRICOMM, INC.

(Exact name of Company as specified in its Charter)

Delaware

62-1386759

(State or jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

4710 East 32nd Street, Joplin, Missouri

64804

(Address of Principal Executive Office)

(Zip Code)

Company's telephone number, including area code: (417) 626-9971

Former name, former address and former fiscal year, if changed since last
report: N/A

Indicate by check mark whether the Company (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 Company 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 Company's Common Stock, \$.001 par value,
as of August 8, 2006 was 25,034,676.

=====

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

Condensed Consolidated Balance Sheets as of
June 30, 2006 and September 30, 2005

3

Edgar Filing: SIRICOMM INC - Form 10QSB

Condensed Consolidated Statements of Operations for the three months and nine months ended June 30, 2006 and June 30, 2005	4
Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended June 30, 2006 and June 30, 2005	5
Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2006 and June 30, 2005	
Notes to the Condensed Consolidated Financial Statements	7

2

SIRICOMM, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2006
	(Unaudited)
ASSETS	
Current Assets	
Cash	\$ 2,148,932
Certificate of deposit, pledged	500,000
Accounts receivable	50,962
Prepaid expenses and other	16,918

Total current assets	2,716,812

Property and Equipment, at cost	
Equipment	3,645,789
Network equipment in progress of installation	150,000

	3,795,789
Less accumulated depreciation	864,007

	2,931,782
Software, net of amortization	732,646

Intangible assets, net of amortization	1,921,910

Total assets	\$ 8,303,150
	=====
Liabilities and Stockholders' Equity	
Current Liabilities	
Note payable to bank	\$ 490,000
Accounts payable	892,234
Accrued salaries	3,846

Edgar Filing: SIRICOMM INC - Form 10QSB

Other accrued expenses	85,612
Deferred revenue	111,242

Total current liabilities	1,582,934

Total liabilities	1,582,934

Preferred stock - Series A par value \$.001; 500,000 shares authorized; 213,417 shares issued and outstanding; dividend rate of \$0.025 per share per quarter commencing March 2004; liquidation preference of \$1 per outstanding share cash payment	288,114
Stockholders' Equity	
Common stock - par value \$.001; 50,000,000 shares authorized; issued and outstanding 2006 - 25,034,676 shares, 2005- 20,092,950 shares	25,035
Additional paid-in capital	20,756,817
Treasury stock	(90,000)
Deferred compensation	(261,600)
Retained deficit	(13,998,150)

Total stockholders' equity	6,432,102

Total liabilities and stockholders' equity	\$ 8,303,150
	=====

See Notes to Condensed Consolidated Financial Statements

3

SIRICOMM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	June 30, 2006		
	3 Months Ended	9 Months Ended	3 M
	(Unaudited)	(Unaudited)	(
Revenues	\$ 294,913	\$ 650,609	\$
Operating Expenses:			
General and administrative	1,031,437	1,722,318	
Salaries	456,755	1,126,727	
Satellite access fees	466,132	1,010,493	
Research and development	3,348	12,218	
Depreciation and amortization	182,560	455,446	
	-----	-----	-----
Total operating expenses	2,140,232	4,327,202	1
	-----	-----	-----

Edgar Filing: SIRICOMM INC - Form 10QSB

Operating loss	(1,845,319)	(3,676,593)	(1
Other Income (Expense)			
Interest income	25,432	52,543	
Interest expense	(6,541)	(448,817)	
	18,891	(396,274)	
Net loss	\$ (1,826,428)	\$ (4,072,867)	\$ (1
Add: Dividends declared on preferred stock	(5,336)	(16,008)	
Loss available to common shareholders	\$ (1,831,764)	\$ (4,088,875)	\$ (1
Net loss per share, basic and diluted	\$ (0.07)	\$ (0.18)	\$
Weighted average shares, basic and diluted	25,004,391	22,672,396	19

See Notes to Condensed Consolidated Financial Statements

4

SIRICOMM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional	Deferred	Acc
	Shares	Amount	Paid-in Capital	Compensation	D
Balance, September 30, 2004	16,255,650	\$16,252	\$ 8,379,044	\$ (722,016)	\$ (
Stock warrants issued for services	-	-	600,000	(210,000)	
Stock warrants exercised	95,000	95	179,905	-	
Stock options exercised	26,800	27	26,773	-	
Stock options issued for services	-	-	91,800	-	
Stock issued for services	2,043,000	2,043	3,269,937	-	
Proceeds from stock issuance					
- completed January 3, 2005; net of consideration of \$87,420	319,000	319	550,261	-	
- Completed 3rd quarter	1,334,500	1,334	1,896,457		
Vesting of deferred compensation				300,840	
Proceeds from issuance of warrants			56,666		
Accrued dividends	-	-	(16,006)	-	
Net loss for the period	-	-	-	-	(

Edgar Filing: SIRICOMM INC - Form 10QSB

Balance, June 30, 2005	20,073,950	\$20,070	\$15,034,837	\$ (631,176)	\$ (
Balance, September 30, 2005	20,092,950	\$20,089	\$15,063,814	\$ (631,176)	\$ (
Treasury stock purchased, 90,000 shares	-	-	-	-	-
Imputed discount on convertible debt issued	-	-	76,271	-	-
Stock and warrants issued for services	95,000	95	167,536	-	-
Exercise of options & warrants	154,463	155	106,959	-	-
Proceeds from stock issue on Feb 8, 2006 net of issue costs of \$403,285	4,253,478	4,257	4,483,958	-	-
Conversion of debt to equity	438,785	439	504,164	-	-
Fair value of beneficial conversion option and warrants associated with convertible debt	-	-	344,620	-	-
Recognition of warrants earned for software received	-	-	-	92,000	-
Vesting of deferred compensation	-	-	-	159,576	-
Vesting of warrants earned based on network site installations	-	-	25,500	118,000	-
Accrued dividends	-	-	(16,005)	-	-
Net loss for the period	-	-	-	-	(
Balance, June 30, 2006	25,034,676	\$25,035	\$20,756,817	\$ (261,600)	\$ (1

See Notes to Condensed Consolidated Financial Statements

5

SIRICOMM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Mont
	2006
	(Unaudite
Operating Activities	
Net loss	\$ (4,072,86
Items not requiring cash	
Depreciation and amortization	455,44
Write-off imputed discount upon debt conversion	76,27
Fair value of beneficial conversion option and warrants associated with convertible debt	344,62
Stock-based compensation for services	167,63
Recognition of deferred compensation	159,57
Other non-cash charges	394,13
Changes in	
Current assets	(50,58
Accounts payable	702,01
Accrued expenses	(164,34
Deferred revenues	64,68

Edgar Filing: SIRICOMM INC - Form 10QSB

Net cash flows used in operating activities	(1,923,42)
<hr/>	
Investing Activities	
Purchase of held to maturity investments	
Certificate of deposit purchased	(500,00)
Purchase of furniture and equipment	(1,447,41)
<hr/>	
Net cash flows used in investing activities	(1,947,41)
<hr/>	
Financing Activities	
Borrowings under line of credit, net	82,65
Payment of notes payable	
Proceeds from related party note	500,00
Purchase of treasury stock	(90,00)
Proceeds from exercise of stock options and warrants	107,11
Proceeds from issuance of warrants	
Proceeds from sale of common stock	4,488,21
<hr/>	
Net cash flows provided by financing activities	5,087,98
<hr/>	
Increase in Cash	1,217,14
Cash, beginning of period	931,78
<hr/>	
Cash, end of period	\$ 2,148,93
<hr/>	
Supplemental Cash Flows Information	
Cash paid for interest	\$ 25,78
Stock and warrants issued in exchange for services and equipment	\$
Stock options issued in exchange for prepaid consulting services	\$
Accrued dividends for Series A preferred stock	\$ 16,00
Imputed discount for warrants issued with convertible debt	\$ 76,27
Conversion of debt to equity	\$ 504,60
Recognition of warrants earned for software received	\$ 92,00
Recognition of warrants earned for network site installations	\$ 143,50

See Notes to Condensed Consolidated Financial Statements

6

1. Nature of Operations and Summary of Significant Accounting Policies:

Nature of Operations:

SiriCOMM, Inc., a Delaware corporation (the "Company"), through its wholly owned subsidiary of the same name, which was incorporated in the State of Missouri on April 24, 2000, has developed broadband wireless application service technologies intended for use in the marine and transportation industries. The Company opened its network in December, 2004 for commercial operation and has commenced selling its InTouch(TM) Internet Service to individual subscribers.

Edgar Filing: SIRICOMM INC - Form 10QSB

Since December, 2004, the Company has commenced revenue producing operations and continues to market its service technologies, including satellite communications, wireless networking, and productivity enhancing software.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interim Information: Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments that are in the opinion of the Company's management, necessary to fairly present the financial position, results of operations and cash flows of the Company. Those adjustments consist only of normal recurring adjustments.

The condensed balance sheet of the Company as of September 30, 2005 has been derived from the audited consolidated balance sheet of the Company as of that date. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-KSB annual report for fiscal year ended September 30, 2005 filed with the Securities and Exchange Commission.

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

7

Stock-based Compensation:

The Company accounts for compensation costs associated with stock options issued to employees under the provisions of Accounting Principles Board Opinion No. 25 whereby compensation is recognized to the extent the market price of the underlying stock at the grant date exceeds the exercise price of the option granted. Stock-based compensation to non-employees is accounted for using the fair-value based method prescribed by Financial Accounting Standard No. 123 - Accounting for Stock-Based Compensation. The Company uses the trinomial options-pricing model to determine the fair value of stock-based compensation and capital contributions.

Had compensation cost for the Company's stock option plan been determined on the fair value at the grant dates for stock-based employee compensation arrangements consistent with the method required by SFAS 123, the Company's net loss and net loss per common share would have been the pro forma amounts indicated below.

Nine Months Ended	
June 30,	
2006	2005

Edgar Filing: SIRICOMM INC - Form 10QSB

Net loss, as reported	\$ (4,072,867)	\$ (2,453,176)
Less: stock-based employee compensation under the fair value based method	(5,661)	(111,987)
Pro forma net loss under fair value method	\$ (4,078,528)	\$ (2,565,163)
Net loss per common share-basic and diluted:		
As reported under fair value method	\$ (0.18)	\$ (0.14)
Pro forma under fair value method	\$ (0.18)	\$ (0.14)

Research and development costs:

The Company incurs costs, 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.

Net loss per share:

Net loss per share represents the net loss available to common stockholders divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if convertible preferred stock 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 stock is anti-dilutive.

8

Reclassification

Certain reclassifications have been made to the June 30, 2006 financial statements to conform to the June 30, 2005 financial statement presentation. These reclassifications had no effect on the Company's net losses.

2. Line of Credit:

On February 8, 2006, the Company entered into a line of credit with Liberty Bank of Springfield, Missouri for \$500,000 secured by a certificate of deposit. The note has monthly interest only payments at a rate of 1% greater than the rate to be earned on the certificate of deposit and is renewable at the discretion of the Company in August 2006.

On February 4, 2006, the Company retired a line of credit with Southwest Missouri Bank for the purchase of network infrastructure equipment up to a maximum of \$1,000,000. This note was 80% guaranteed by the U.S. Department of Agriculture ("USDA") and was secured by the Company's network equipment. This note was further personally guaranteed by the Company's majority shareholder. The security interest on the equipment and the personal guarantee of the majority shareholder were released upon retirement of the note.

3. Stockholders' Equity:

On January 31, 2006, SiriCOMM, Inc. consummated the private placement of its securities pursuant to a Placement Agent Agreement (the "Agency Agreement") entered into between it and Sanders Morris Harris, Inc. as Placement Agent dated December 12, 2005. The securities sold were units (the "Units") consisting of one share of the Company's common stock, \$.001

Edgar Filing: SIRICOMM INC - Form 10QSB

par value (the "Shares") and one redeemable Common Stock purchase warrant (the "Warrant"). At the closing, the Company sold an aggregate of 4,692,263 Units at an aggregate purchase price of \$5,396,103 or \$1.15 per unit. At the closing, the Company delivered an aggregate of 4,692,263 Shares and 4,692,263 Warrants to the purchasers.

Each Warrant entitles the holder to purchase one share of Common Stock at an exercise price of \$1.50 per share commencing on the date of issuance and expiring at the close of business on the fifth anniversary of the issuance date. The Warrants contain provisions that protect the holder against dilution by adjustment of the exercise price in certain events including, but not limited to, stock dividends, stock splits, reclassifications, or mergers. The Company may redeem the Warrants, at a price of \$.10 per Warrant, at any time following the issuance date upon not less than 30 days or more than 60 days prior written notice if (a) the Common Stock underlying the Warrants has been registered with the SEC, and (b) the closing price of the Common Stock exceeds a 200% premium of the exercise price of the Warrants for 20 out of 30 consecutive trading days.

Under the terms of the Agency Agreement, the Placement Agent received a commission equal to 5% of the offering price of the Units sold in the Private Placement, a financial advisory fee equal to 2% of the offering price of the Units sold in the Private Placement and a Placement Agent warrant to purchase Common Stock equal to 5% of the Shares of Common Stock underlying the Units sold in the Private Placement at an exercise price of \$1.15 per share.

As part of the Private Placement, the Company entered into a Registration Rights Agreement with each subscriber who purchased Units in the Private Placement. Under the Registration Rights Agreement, the Company, as promptly as reasonably practicable after closing of the Private Placement but in no event later than 30 days following the closing, the Company was obligated to file a Registration Statement on Form SB-2, relating to the resale by the holders of the Common Stock underlying the Units, Warrants and Placement Agent Warrant. The Company filed the Registration Statement on a timely basis and it was declared effective by the SEC on May 12, 2006.

Sunflower Capital, LLC, a limited liability company managed by William P. Moore, a director of the Company, purchased an aggregate of 1,764,872 Units in the offering, which consisted of a new investment of \$1,525,000 to purchase 1,326,087 Units and the conversion of a Promissory Note issued to Sunflower on December 27, 2005 in the principal amount of \$500,000 plus accrued interest in the amount of \$4,602 to purchase 438,785 Units.

On December 15, 2005, the Company issued 25,000 shares of its common stock to IRG pursuant to a consulting agreement dated November 30, 2005. Pursuant to the consulting agreement the Company issued an additional 25,000 shares to the consultant during the quarter ended June 30, 2006. Additionally, the consultant received 50,000 four (4) year warrants with the following exercise prices:

16,666 at \$1.25
16,667 at \$1.35
16,667 at \$1.45

During the quarter ended March 31, 2006, the Company received consideration equal to \$63,950 upon the exercise of an aggregate of 96,300 previously issued warrants and stock options.

On April 20, 2006, Jackie Seneker, an employee of the Company at that time, exercised 57,500 options and the Company issued 28,163 shares as Ms. Seneker exercised this option on a cashless basis by delivering 29,337

Edgar Filing: SIRICOMM INC - Form 10QSB

options exercisable at \$1.00 per share.

On April 26, 2006 and May 30, 2006, respectively, the Company issued 10,000 and 30,000 shares of its common stock to Interactive Resources Group ("IRG") pursuant to a consulting agreement between the Company and IRG.

9

4. Commitments and Contingencies:

Litigation:

The Company entered into a settlement agreement as of June 1, 2006 with Greg Sanders related to a lawsuit filed on December 17, 2004 with certain officers and directors of the Company who were named defendants in a lawsuit entitled Greg Sanders v. Henry Hoffman et al. Messrs. Hoffman, Dillman, Mendez and Iler are officers and directors of the Company, Mr. Thompson is a director of the Company and Mr. Noland is a former officer and director of the Company. The Company was subsequently admitted as a defendant. The action alleged fraud, misrepresentation and breach of fiduciary duty relating to a settlement agreement entered into between the Company and Mr. Sanders. The complaint sought damages in excess of \$9,679,903. The Company paid legal and settlement expenses of approximately \$300,000 relating to the defense of this matter and released the Company from any future claims between the parties.

5. Subsequent Events:

On July 5, 2006, SiriCOMM, Inc. entered into a letter agreement with William W. Graham under which Mr. Graham will serve as our President and Chief Executive Officer for an initial term of three to six months. The agreement calls for monthly compensation of \$14,583.33, a health insurance reimbursement benefit of \$850.00 per month and a grant of 50,000 options to purchase shares of our common stock, as of the date of this report these options have not yet been issued to Mr. Graham.

On July 27, 2006, the Company accepted the resignation of J. Richard Iler as Chief Financial Officer, Corporate Secretary and Director of the Company to be effective August 9, 2006.

10

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

Background

SiriCOMM is an application service provider specializing in wireless Internet connectivity and productivity applications tailored to the highway transportation industry. The Company is guided by its mission of helping truck fleets to improve productivity, reduce costs, increase safety, and strengthen security. To achieve that goal, SiriCOMM has deployed a network of SiriCOMM Wi-Fi hot spots at locations convenient to highway travelers. SiriCOMM's proprietary network, the foundation for its applications, delivers wireless broadband connectivity at a fraction of the cost of conventional wireless networks. By providing both Internet access and a robust application host platform, SiriCOMM delivers a more responsive and convenient way for all industry stakeholders to interact with information needed on a regular basis.

Presently, SiriCOMM's network is the most widely available wireless

Edgar Filing: SIRICOMM INC - Form 10QSB

Internet access network built for the highway transportation market. To date we have installed over 500 Wi-Fi "hot spots" at major truck stops and weigh stations and have agreements with leading truck stop chains and weigh station operators such as Pilot Travel Centers ("Pilot"), Love's Travel Stops ("Loves"), Petro TruckStops, Freight and More, Inc./DIS - Direct Internet Services and others to install access points at approximately 300 additional sites .

The Company's network technology is built upon a distributed server model that uses satellite for data backhaul. This architecture provides key advantages: 1) the network is truly go-anywhere and operates independently of any terrestrial-based communication infrastructure; 2) the satellite multicast features allows data to be simultaneously available at all SiriCOMM Wi-Fi hot spots; 3) bandwidth management is handled from a single location as opposed to multiple points that would be required by a nationwide terrestrial network; 4) the remote server makes each hot spot an extension of fleet operations; and, 5) proprietary technologies mitigate inherent weaknesses found in conventional satellite networks.

SiriCOMM completed phase one installations in 2004 and opened the network for business in December 2004. Initially, network access subscriptions were limited to only credit card sales through the company's web site. By June 2005 Pilot began offering cash point of sales (POS) subscriptions at its in-store registers.

We market our products and services principally through assorted value added reseller agreements and a direct sales force. As the trucking industry is highly fragmented and comprises many small to medium-sized fleets, we use numerous resellers to maximize our sales reach. Our direct sales force is focused on the large fleets as well as coordinating the efforts of our value added resellers. Currently we are continuing to concentrate our sales efforts on InTouch(TM) while installing additional hot spots across the country. Sales of Pulse and Beacon will commence after nationwide network density reaches 400-500 sites.

Our senior management team has significant experience in both the transportation and communications industries.

11

We were incorporated as a Delaware corporation under the name DFW Technologies, Inc., Inc., in March 1989. In 1992, DFW Technologies, Inc. changed their name to Fountain Pharmaceuticals, Inc. In approximately November 2002, the shareholders of SiriCOMM, Inc., a privately-held Missouri corporation, incorporated in 2000 ("SiriCOMM Missouri"), exchanged all of the issued and outstanding common stock of SiriCOMM Missouri for a controlling interest in Fountain Pharmaceuticals, Inc. (the "Reverse Transaction"). As part of the Reverse Transaction, all of the then officers and directors of Fountain Pharmaceuticals, Inc. resigned and were replaced by persons designated by SiriCOMM Missouri and the name of Fountain Pharmaceuticals, Inc. was changed to SiriCOMM, Inc. As a result of the Reverse Transaction, SiriCOMM Missouri became a wholly-owned subsidiary of the Company and the prior shareholders of SiriCOMM Missouri became the controlling shareholders, officers and directors of the Company.

Our corporate address is 4710 East 32nd Street, Joplin, Missouri 64804, our telephone number is 417-626-9971, and our fax number is 417-782-0475.

Critical Accounting Policies and Estimates:

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The

Edgar Filing: SIRICOMM INC - Form 10QSB

preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to contingencies, on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policy, among others; involve the more significant judgments and estimates used in the preparation of our consolidated financial statements:

The Company accounts for compensation costs associated with stock options and warrants issued to non-employees using the fair-value based method prescribed by Financial Accounting Standard No. 123 - Accounting for Stock-Based Compensation. The Company uses the trinomial options-pricing model to determine the fair value of these instruments as well as to determine the values of options granted to certain lenders by the principal stockholder. The following estimates are used for grants in 2006: Expected future volatility over the expected lives of these instruments is estimated to mirror historical experience of 75%; expected lives of 2 years is estimated based on management's judgment of the time period by which these instruments will be exercised.

Information Relating To Forward-Looking Statements

When used in this Report on Form 10-QSB, the words "may," "will," "expect," "anticipate," "continue," "estimate," "intend," "plans", and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding events, conditions and financial trends which may affect the Company's future plans of operations, business strategy, operating results and financial position. Such statements are not

12

guarantees of future performance and are subject to risks and uncertainties and actual results may differ materially from those included within the forward-looking statements as a result of various factors. Such factors include, among others: (i) the Company's ability to obtain additional sources of capital to fund continuing operations; in the event it is unable to timely generate revenues (ii) the Company's ability to retain existing or obtain additional licensees who will act as distributors of its products; (iii) the Company's ability to obtain additional patent protection for its technology; and (iv) other economic, competitive and governmental factors affecting the Company's operations, market, products and services. Additional factors are described in the Company's other public reports and filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publicly release the result of any revision of these forward-looking statements to reflect events or circumstances after the date they are made or to reflect the occurrence of unanticipated events.

Fair Value of Equity Instruments

The valuation of certain items, including valuation of warrants or restricted stock that may be offered as compensation for goods or services received within its contracts, involve significant estimations with underlying assumptions judgmentally determined. Warrants are valued using the most reliable

Edgar Filing: SIRICOMM INC - Form 10QSB

measure of fair value, such as the value of the goods or services rendered, if obtainable, if such value is not readily obtainable, the valuation of warrants and stock options are then based upon a trinomial valuation model, which involves estimates of stock volatility, expected life of the instruments and other assumptions. As the Company's stock is thinly traded, the amounts recorded for equity instruments, which are based partly on historical pricing of the Company's stock, are subject to the assumption used by management in determining the fair value.

Results of Operations

For the Three Months Ended June 30, 2006 and 2005

Revenues

SiriCOMM generated revenues of \$294,913 for the three months ending June 30, 2006 while generating revenues of \$55,686 during the same period in fiscal 2005. Revenues were solely derived from the Company's sales of its InTouch Internet service. The Company initiated a limited marketing and advertising program of its InTouch Internet service. Though the Company has increased its revenue generation, there is no assurance that the Company will generate significant revenues from the offering of this service in the future.

Operating Expenses

Our operating expenses consist of product research and development costs, general and administrative, selling depreciation and amortization, as well as amortization of long-term prepaid assets.

13

During the three months ended June 30, 2006, net operating losses totaled \$1,845,319 as compared to net operating losses of \$1,136,982 for the three months ended June 30, 2005.

The Company has increased its number of employees in accounting, software development and customer service from 9 in the same period ending June 30, 2005 to 27 for the quarter ending June 30, 2006. Network installations and network administration costs have contributed to the increase in net operating losses. These expenses are necessary to increase the Company's infrastructure, support the Company's InTouch Internet service and improve the Company's operations. Certain expenses related to litigation involving officers and the Company contributed to the rise in the net operating loss.

Satellite Access Fees

The Company incurs bandwidth costs associated with providing its InTouch Internet service and its other products. The Company has a contract with a satellite provider that provides for a fixed monthly cost per site which increases as the Company adds additional sites. Satellite access fees for the three months ending June 30, 2006 were \$466,132 as compared to \$195,615 for the three months ending June 30, 2005. This increase is the direct result of the Company adding additional sites and increasing the amount of bandwidth. As a result of signing an agreement with Sat-Net in February 2005, the Company is now amortizing prepaid satellite expenses that were derived from that agreement. The Company expensed \$128,345 and \$126,009 representing amortization for the three months ending June 30, 2006 and 2005, respectively.

General and Administrative Expenses

Our general and administrative expenses consist of corporate overhead

Edgar Filing: SIRICOMM INC - Form 10QSB

costs, administrative support, professional fees and amortization of prepaid consulting fees.

For the three months ending June 30, 2006, SiriCOMM's general and administrative expenses totaled \$1,031,437, or 48.2% of total operating expenses, while for the three months ended June 30, 2005 general and administrative expenses totaled \$591,337 or 49.6% of total operating expenses.

General and administrative expense increased as a result of the Company engaging an investor relations consultant, litigation expense related to the settlement with Greg Sanders and network maintenance costs which contributed principally to the net operating loss.

Salaries

For the three months ending June 30, 2006, SiriCOMM incurred salaries of \$456,755, representing 21.3% of the operating expenses, as compared to \$278,295 or 23.3% of total operating expenses for the three months ended June 30, 2005. The Company has increased its personnel in accounting customer support to operate its InTouch Internet service.

14

Depreciation and Amortization

Depreciation and amortization expense was \$182,560 for the three month period ending June 30, 2006 as compared to \$114,681 for the same period ending June 30, 2005 attributable to the addition of a number of hotspots.

Interest Income/Expense

For the three months ending June 30, 2006, net interest income was \$18,891 as compared to net interest expense of \$3,030 during the three months ended June 30, 2005.

For the Nine Months Ended June 30, 2006 and 2005

Revenues

SiriCOMM generated revenues of \$650,609 for the nine months ending June 30, 2006 while generating revenues of only \$89,134 during the same period in 2005. Revenues were solely derived from the Company's offering of its InTouch Internet service. Limited advertising has only been recently conducted to date and no assurances can be offered that the Company will generate any meaningful revenues from the offering of the In Touch service in the future.

Operating Expenses

Our operating expenses consist of product research and development costs, general and administrative, selling, depreciation and amortization, as well as amortization of long-term prepaid assets.

During the nine months ended June 30, 2006, net operating losses totaled \$3,676,593 as compared to net operating losses of \$2,446,476, for the nine months ended June 30, 2005.

The Company has increased its number of employees in accounting, software development and customer service and network administration which have contributed to the increase in net operating losses. These expenses are necessary to increase the Company's infrastructure, support the InTouch service and improve the Company's operations.

Edgar Filing: SIRICOMM INC - Form 10QSB

Satellite Access Fees

With the opening of the network for introduction of its InTouch service, the Company has incurred bandwidth costs associated with providing this service and its other products. The contract with its satellite provider provides for a fixed monthly cost per site which will increase as the Company adds additional sites. Satellite access fees for the nine months ending June 30, 2006 were \$1,010,493 as compared to \$486,244 for the nine months ending June 30, 2005. With the signing of an agreement with Sat-Net in February 2005, the Company is now amortizing prepaid satellite access that was the benefit derived from this agreement. The Company expensed \$380,363 and \$252,018 as the non-cash amortization for the nine months ending June 30, 2006 and 2005, respectively.

15

General and Administrative Expenses

Our general and administrative expenses consist of corporate overhead costs, administrative support, professional fees and amortization of prepaid consulting fees.

For the nine months ending June 30, 2006, SiriCOMM's general and administrative expenses totaled \$1,722,318, or 39.8% of total operating expenses, while for the nine months ended June 30, 2005 general and administrative expenses totaled \$927,654 or 36.5% of total operating expenses.

General and administrative expenses increased as a result of the Company's engaging an investor relations, loan issuance costs, litigation expense and network maintenance costs which contributed principally to the net operating loss.

Salaries

For the nine months ending June 30, 2006, the Company incurred salaries of \$1,126,727 representing 26.0% of operating expenses, as compared to \$847,445, or 33.4 %, of total operating expenses for the nine months ended June 30, 2005. The Company has increased its personnel in accounting and customer support to operate its InTouch ISP service.

Depreciation and Amortization

Depreciation expense was \$455,446 for the nine month period ending June 30, 2006 as compared to \$236,747 for the same period ending June 30, 2005. The increase is due in large part to the increased number of network sites.

Interest Income/Expense

For the nine months ending June 30, 2006, net interest expense was \$396,274 as compared to \$6,700 during the nine months ended June 30, 2005. The increase in interest expense is arising from the loan costs incurred from the Sunflower Capital bridge loan as noted previously.

Liquidity and Capital Resources

We continue to finance our operations entirely from invested funds and limited borrowing for capital expenditures. No assurances can be given that revenues will increase sufficiently to cover operating expenses or that the Company can continue to attract capital under terms favorable to its shareholders.

Edgar Filing: SIRICOMM INC - Form 10QSB

As of June 30, 2006, our current assets including cash, a certificate of deposit, accounts receivables and other current assets amounted to approximately \$2,716,812. Current liabilities amounted to approximately \$1,582,934 and include notes payable to Liberty Bank, accounts payable, accrued salaries, and other accrued expenses.

16

As an emerging wireless applications services provider, we are involved in a number of business development projects, continued network installation and general operating capital requirements that will continue to require external capital to finance the Company as it introduces its applications within its business model. No assurances can be given as to the industry's willingness to purchase the Company's products or services.

As we continue to ramp-up our business and obtain new ISP contracts, the Company believes that it has adequate liquidity and that we can achieve profitability in late 2006. The Company is dedicating its efforts currently to building its internet service and growing its network site density in order to facilitate the launch of its other planned software products.

Capital Resources

On December 27, 2005, the Company entered into a Loan Agreement with Sunflower Capital, LLC. The loan of \$500,000 was evidenced by a Convertible Promissory Note due July 1, 2006. As consideration for Sunflower making the loan, the Company issued to Sunflower a warrant to purchase 200,000 shares of the Company's common stock at \$1.26 per share.

The Note mandatorily converted into the Company's units consisting of one share of common stock and one redeemable common stock purchase warrant exercisable at \$1.50 per share during the period commencing on the date of issuance and expiring five (5) years thereafter. As discussed below, the Note converted into such units at the rate of \$1.15 per unit on February 1, 2006.

On January 31, 2006, the Company consummated the private placement of its securities pursuant to a Placement Agent Agreement entered into between it and Sanders Morris Harris, Inc. as Placement Agent dated December 12, 2005. The securities sold were units consisting of one share of the Company's common stock, \$.001 par value and one redeemable Common Stock purchase warrant. At the closing, the Company sold an aggregate of 4,692,263 Units at an aggregate purchase price of \$5,396,103 or \$1.15 per unit. At the closing, the Company delivered an aggregate of 4,692,263 Shares and 4,692,263 Warrants to the purchasers.

Each Warrant entitles the holder to purchase one Share of Common Stock at an exercise price of \$1.50 per share commencing on the date of issuance and expiring at the close of business on the fifth anniversary of the issuance date. The Warrants contain provisions that protect the holder against dilution by adjustment of the exercise price in certain events including, but not limited to, stock dividends, stock splits, reclassifications, or mergers. The Company may redeem the Warrants, at a price of \$.10 per Warrant, at any time following the issuance date upon not less than 30 days nor more than 60 days prior written notice if (a) the Common Stock underlying the Warrants has been registered with the SEC, and (b) the closing price of the Common Stock exceeds a 200% premium of the exercise price of the Warrants for 20 out of 30 consecutive trading days.

Under the terms of the Agency Agreement, the Placement Agent received a commission equal to 5% of the offering price of the Units sold in the Private Placement, a financial advisory fee equal to 2% of the offering price of the Units sold in the Private Placement and a Warrant to purchase Common Stock equal

Edgar Filing: SIRICOMM INC - Form 10QSB

to 5% of the Shares of Common Stock underlying the Units sold in the Private Placement at an exercise price of \$1.15 per share.

17

As part of the Private Placement, the Company entered into a registration rights agreement with each subscriber who purchased Units in the Private Placement. Under the Registration Rights Agreement, the Company, as promptly as reasonably practicable after closing of the Private Placement but in no event later than 30 days following the closing, the Company was obligated to file a registration statement on Form SB-2, relating to the resale by the holders of the Common Stock underlying the Units, Warrants and Placement Agent Warrant. The Company met the required filing of the Registration Statement within the required time frame, and it became effective within the period of 120 days after closing, thus relieving the Company of a potential penalty payment to the investors of 1% of the gross proceeds of the offering for each month in which the Company fails to comply with such requirements.

Sunflower Capital, LLC, a limited liability company managed by William P. Moore, a director of the Company, purchased an aggregate of 1,764,872 Units in the offering, which consisted of a new investment of \$1,525,000 to purchase 1,326,087 Units and the conversion of the Note plus accrued interest in the amount of \$4,602 to purchase 438,785 Units.

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

During the quarter ended June 30, 2006, the Company drew down \$100,000 on a line of credit from Liberty Bank which is secured by a certificate of deposit in the amount of \$500,000.

On April 24, 2006 the Company issued 28,163 shares to a former employee pursuant to the exercise of options previously granted under the 2002 employee equity incentive plan. The former employee exercised 57,500 shares as a cashless exercise thereby forfeiting 29,337 shares.

On April 26, 2006 the Company issued 10,000 shares to Integrated Resources Group pursuant to a contract dated March 15, 2006 to perform certain financial advisory and consulting services.

On May 30, 2006, the Company issued 30,000 shares to Integrated Resources Group pursuant to a contract for dated March 15, 2006 to perform certain financial advisory and consulting services.

Contractual Obligations and Commercial Commitments

Contractual obligations as of June 30, 2006 are as follows:

	Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years
Line of credit and note payable	\$ 490,000	\$ 490,000	\$ -	\$ -
Operating leases	\$ 178,600	\$ 41,300	\$ 137,300	\$ -

Edgar Filing: SIRICOMM INC - Form 10QSB

Total contractual cash obligations	\$ 668,600	\$ 531,300	\$ 137,000	\$ -
------------------------------------	------------	------------	------------	------

18

Recent Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. The approach to accounting for share-based payments in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values and no longer allows pro forma disclosure as an alternative to financial statement recognition. The Company will be required to adopt Statement 123(R) during the first quarter of its year ending September 30, 2007. The Company has not determined what financial statement impact Statement 123(R) will have on the Company.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any off balance sheet arrangements.

Item 3: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision of and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of SiriCOMM's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report on Form 10-QSB. Management has concluded that its disclosure controls and procedures were still not effective as of June 30, 2006 as follows:

- o we did not have adequate transaction controls over the accounting review and process of certain unusual or complex transactions;
- o we did not have a systematic and documented program of internal controls and procedure over our accounting and financial reporting process to ensure that unusual or complex transactions are recorded, processed, summarized and reported on a timely basis in our financial disclosures; and
- o there is a need for the improved supervision and training of our accounting staff.

In connection with the restatement described below, management determined that a material weakness existed in SiriCOMM's internal control over financial reporting for the year ended September 30, 2004. Because of this material weakness, management determined that SiriCOMM's disclosure controls and procedures were not effective as of September 30, 2004 to ensure that all material information required to be included in SiriCOMM's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported

within the time periods specified in the rules and forms of the Securities and Exchange Commission. As stated in more detail below, this determination was in response to the identified weakness and not part of management's assessment of internal controls that will be required to be included in our annual report on Form 10-KSB for our fiscal year ending September 30, 2007. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

To address this material weakness, SiriCOMM's management, with the assistance of its accounting consultant, continues to perform additional analysis of our accounting procedures and the need for additional personnel in our accounting department to ensure that SiriCOMM's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, management believes that (i) the consolidated financial statements, as restated, fairly present in all material respects SiriCOMM's financial condition, results of operations and cash flows for the periods presented, and (ii) this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Consideration of the Restatement

On December 10, 2003, SiriCOMM issued an aggregate of 213,417 shares of its Series A Preferred Stock to two investors upon conversion of debt in the aggregate principal amount of \$200,000 plus accrued interest of \$13,417. These shares were accounted for on the Company's balance sheet as part of its permanent equity. Because the Series A Preferred Stock provided the holder the right to redeem those shares at any time commencing three (3) years from the date of issuance, those shares should have been classified as temporary equity.

As a result of the foregoing, management restated its September 30, 2004 annual consolidated financial statement as well as its interim consolidated financial statements for the quarters ended December 31, 2004, June 30, 2005 and June 30, 2005. The reclassification of the Series A Preferred Stock did not effect the Company's results of operations for any of the above listed periods.

Internal Control over Financial Reporting

As a result of Section 404 of the Sarbanes-Oxley Act of 2002 and the rules issued thereunder, the Company will be required to include in its Annual Report on Form 10-KSB for the year ending September 30, 2007 a report on management's assessment of the effectiveness of the Company's internal control over financial reporting. The Company's independent auditor will also be required to attest to and report on management's assessment. Current auditing standards provide that a restatement is a strong indicator of a material weakness in the Company's internal control over financial reporting. Considering this guidance, the Company has evaluated these methodological errors and has concluded that the restatement resulted from a material weakness in the Company's internal control, which the Company believes it has since remediated. This process of assessment and remediation is not of the scope and did not

Edgar Filing: SIRICOMM INC - Form 10QSB

include rigorous documentation of internal controls which will be required under Section 404. In that regard, management did not prepare a report in conformity with paragraph (a) of Item 308 which should have contained the following:

- o a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting;
- o a statement identifying the framework used by management to evaluate the effectiveness of the Company's internal control over financial reporting;
- o management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2005, including a statement as to whether or not it is effective; and
- o a statement that the Company's external auditor has issued an attestation report on management's assessment.

The Company was also not required to obtain and has not obtained its independent auditors' report with respect to this voluntary assessment. In an effort to bolster existing controls and prepare for the required management assessment of internal controls over financial reporting which will be required to be included in the Company's annual report on Form 10-KSB for the year ending September 30, 2007, the Company retained an accounting consultant in November, 2005 to assist in the documentation, assessment and development of more effective internal control under the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria).

A material weakness is a control deficiency or combination of control deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected. As of September 30, 2004, SiriCOMM did not maintain effective control over financial reporting to ensure the Series A preferred stock was accurately presented or that the accounting treatment related to the redeemable shares was appropriately reviewed to ensure compliance with accounting principles generally accepted in the United States of America. The transaction related to these redeemable shares was non-routine in nature. Specifically, the Company did not have adequate controls over the classification of the Series A preferred shares subject to redemption requests nor the proper evaluation of the relevant accounting literature related to such shares. This material weakness resulted in a restatement of SiriCOMM's financial statements. As of June 30, 2006, the Company still lacked the personnel and technical expertise necessary to insure that a material weakness did not exist at that time.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. We have better defined the roles of certain of our personnel relating to internal controls over financial reporting and are disclosing the following significant deficiencies:

Edgar Filing: SIRICOMM INC - Form 10QSB

- o Certain accounting staff have significant abilities to perform functions in the purchasing cycle, including updating vendor files, recording transactions, and accessing signed checks.
- o The Chief Executive Officer has the ability to perform EDI transactions and approving and signing checks with little or no oversight from other members of management.
- o The Chief Financial Officer can perform most functions associated with the purchasing cycle, including signing check which is predominantly done in the absence of the Chief Executive Officer.
- o Certain accounting staff can perform most functions within the payroll cycle, including file maintenance, recording of transactions and adjusting payroll data.
- o Certain accounting staff can perform most functions in the revenue and accounts receivable cycle including, billing customers, recording revenue transactions, submitting credit card remittances and reconciling the bank statements.
- o The Company has not established adequate procedures to properly accrue for goods and services rendered.

Management's Response to the Material Weakness and Significant Deficiencies

In response to the material weakness and significant deficiencies described above, we have undertaken the following initiatives with respect to our internal controls and procedures that we believe are reasonably likely to improve and materially affect our internal control over financial reporting. We anticipate that remediation will be continuing throughout fiscal 2006, during which we expect to continue pursuing appropriate corrective actions, including the following:

- o Preparing appropriate written documentation of our financial control procedures. The Company did not begin this process during the quarter ended December 31, 2005. The Company intends to complete written documentation of its financial control procedures during the fiscal year ended September 30, 2006;
- o In November, 2005 we hired an outside accounting consultant who has acted as our interim controller. The Company has been actively recruiting a full time controller to be added to our finance department;
- o Scheduling training for accounting staff to heighten awareness of generally accepted accounting principles applicable to complex transactions. The Company began training its accounting staff during the quarter ended June 30, 2006. The Company intends to complete the training in the fiscal year ended September 30, 2006;
- o Strengthening our internal review procedures in conjunction with our ongoing work to enhance our internal controls so as to enable us to identify and adjust items proactively. The Company did not begin this process during the quarter ended

Edgar Filing: SIRICOMM INC - Form 10QSB

June 30, 2006. The Company intends to complete the strengthening of its internal review procedure during the fiscal year ended September 30, 2006;

- o In November 2005 we engaged an outside accounting consultant to support our Sarbanes-Oxley Section 404 compliance activities and to provide technical expertise in the selection and application of generally accepted accounting principles related to complex transactions to identify areas that require control or process improvements and to consult with us on the appropriate accounting treatment applicable to complex transactions;
- o Upon the advice of our outside accounting consultant, we made certain procedural changes with respect to the Company's billing process. This began during the quarter ended December 31, 2005 and has continued through the quarter ended June 30, 2006; and
- o Adequate procedures to properly accrue for goods and services are continuing to be added through training and oversight.

To date, we have retained an outside accounting consultant to assist the Company in strengthening our controls and procedures. Our management and Audit Committee will monitor closely the implementation of our remediation plan. The effectiveness of the steps we intend to implement is subject to continued management review, as well as Audit Committee oversight, and we may make additional changes to our internal control over financial reporting. Management expects that all material weaknesses will be cured by September 30, 2007.

We cannot assure you that we will not in the future identify further material weaknesses in our internal control over financial reporting. We currently are unable to determine when the above-mentioned material weaknesses will be fully remediated. However, because remediation will not be completed until we have added finance staff and strengthened pertinent controls, we believe the aforementioned material weakness and significant deficiencies may continue to exist. The Company has yet to develop procedures to adequately assess financial statement and disclosure reporting requirements so that regulatory filings are accurate and complete.

23

PART II - OTHER INFORMATION

Item 1: Legal Proceedings

On December 17, 2004, Henry Hoffman, Kory Dillman, David Mendez, Tom Noland, Richard Iler and Terry Thompson were named defendants in a lawsuit entitled Greg Sanders v. Henry Hoffman et al. Messrs. Hoffman, Dillman, Mendez and Iler are officers and directors of the Company, Mr. Thompson is a director of the Company and Mr. Noland is a former officer and director of the Company. The action was brought in the Circuit Court of Jackson County, Missouri at Kansas City (04CV236387). The action alleged fraud, misrepresentation and breach of fiduciary duty relating to a settlement agreement entered into between the Company and Mr. Sanders. The Company originally was not a party to this action, but was subsequently added as a defendant. The complaint sought damages in excess of \$9,679,903. The Company incurred legal and settlement costs of approximately \$300,000 to settle all claims and relieve the Company of any future actions between the parties.

Item 2: Changes in Securities and Use of Proceeds

Edgar Filing: SIRICOMM INC - Form 10QSB

(a) None

(b) None

(c) On April 26, 2006 and May 30, 2006, respectively, the Company issued 10,000 and 30,000 shares of its common stock to IRG pursuant to a consulting agreement between the Company and IRG.

On April 20, 2006, the Company issued 28,163 shares to Jackie Seneker pursuant to the exercise of a stock option. The exercise price of these options was \$1.00 and Ms. Seneker exercised this option on a cashless basis by delivering to the Company 29,337 options exercisable at \$1.00 per share. The shares underlying the option were registered on Form S-8 on April 14, 2003 (SEC File No. 333-104508).

On May 23, 2006, the Company granted 40,000 Incentive Stock Options to Ms. Deborah Cameron, 20,000 are exercisable at \$1.50 per share and 20,000 are exercisable at \$2.50 per share. The options vest over three years with the first 1/3 vesting on February 10, 2007 and thereafter 1/3 on February 10, 2008 and 1/3 on February 10, 2009. The options were issued pursuant to the Company's 2002 Equity Incentive Plan.

Except as otherwise stated, each of the aforementioned securities have been and will be issued under the exemption from registration provided in Section 4(2) of the Act.

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

(d) Not Applicable

24

Item 3.: Defaults upon Senior Securities

None

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

At the Company's Annual Meeting of Shareholders held on May 10, 2006, the following six directors were elected by a majority of the outstanding shares of common stock of the Company. Each director was elected to one-year terms.

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

At the same meeting the shareholders ratified the appointment of BKD, LLP to serve as the Company's independent auditors for the fiscal year ended September 30, 2006.

Item 5.: Other Information

On April 19, 2006, the Company entered into a network access services agreement with ACS Government Solutions, Incorporated ("ACS"), an affiliate of Affiliated Computer Services, Incorporated, to provide data access at each of the 260 PrePass weigh station sites in 25 states. Under the terms of the three year agreement, ACS will purchase network access services from the Company for the

Edgar Filing: SIRICOMM INC - Form 10QSB

benefit of its HELP, Inc. contract for automated vehicle identification and weigh station bypass.

On May 8, 2006, the Company entered into a three (3) year lease agreement, effective May 10, 2006, with 4301 Main LLC to lease 2,743 square feet of office space at 3535 Broadway, Suite 402, Kansas City, Missouri 64106. The monthly rent for this location is \$1,900 per month. Software development and administration of the Company's network operations center are conducted from this location.

On July 5, 2006, SiriCOMM, Inc. entered into a letter agreement with William W. Graham under which Mr. Graham will serve as our President and Chief Executive Officer for an initial term of three to six months. The agreement calls for monthly compensation of \$14,583.33, a health insurance reimbursement benefit of \$850.00 per month and a grant of 50,000 options to purchase shares of our common stock, as of the date of this report these options have not yet been issued to Mr. Graham.

At the same time we entered into the agreement with Mr. Graham, we entered into a new employment agreement with Henry P. Hoffman to serve as our Chairman for an initial term of two years commencing July 5, 2006. The term automatically renews for one additional year unless we or Mr. Hoffman provide written notice not to renew at least 90 days prior to the end of the term. Mr. Hoffman will receive an

25

annual salary of not less than \$175,000 per year under this agreement. Mr. Hoffman agreed to terminate his employment agreement dated February 19, 2002 on July 5, 2006, simultaneously with his resignation as President and CEO and the signing of his new agreement to serve as Chairman.

On July 5, 2006, our board of directors accepted the resignation of Henry P. Hoffman as our President and CEO, appointed Mr. Hoffman Chairman of the Board and appointed William W. Graham to serve as President and CEO.

On July 26, 2006, the Company has accepted the resignation of its Chief Financial Officer, J. Richard Iler to be effective as of August 9, 2006. Mr. Iler has also resigned his positions as Corporate Secretary and Director to be effective as of August 9, 2006.

Item 6.: Exhibits

The following exhibits are filed as part of this report:

- 31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 31.2 Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

26

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934,

Edgar Filing: SIRICOMM INC - Form 10QSB

the Company has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 8, 2006

SIRICOMM, INC.

By: /s/ William W. Graham

William W. Graham, President and
Chief Executive Officer

..

By: /s/ J. Richard Iler

J. Richard Iler, Executive Vice
President and Chief Financial Officer

27