

STARCOM WIRELESS NETWORKS INC
Form 10QSB
May 20, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-QSB

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

For Quarter Ended: March 31, 2003

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

Commission file number: 0-27635

STARCOM WIRELESS NETWORKS, INC.
formerly known as

BASIC TECHNOLOGIES, INC.

(Exact 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.)

7318 Point of Rocks Road
Sarasota, Florida 34232

(Address of principal executive offices, including zip code)

Registrant's Telephone No., including area code: (941) 928-5110

Basic Technologies, Inc., a Colorado corporation
7318 Point of Rocks Road
Sarasota, Florida 34242

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, \$.0001 par value 7,142,967

Class Number of shares outstanding at May 13,2003

STARCOM WIRELESS NETWORKS, INC.
formerly known as BASIC TECHNOLOGIES, INC.
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STARCOM WIRELESS NETWORKS, INC.
formerly known as BASIC TECHNOLOGIES, INC.
Condensed Consolidated Balance Sheet
March 31, 2003
(unaudited)

Assets

| | | |
|---|----|---------------|
| Current assets: | | |
| Cash | \$ | 15,229 |
| Receivables: | | |
| Trade, net of allowance for doubtful accounts | | 34,044 |
| Employee advances | | 760 |
| Prepaid expenses and other | | <u>10,260</u> |
| Total current assets | | <u>60,292</u> |

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| | |
|---|-------------------|
| Property and equipment, net of accumulated depreciation | <u>85,557</u> |
| Total assets | <u>\$ 145,849</u> |

Liabilities and Shareholders' Deficit

Current liabilities:

| | |
|------------------------------|----------------|
| Accounts payable | \$ 125,343 |
| Accrued liabilities | 24,123 |
| Accrued interest payable | 1,880 |
| Capital lease obligation | 24,943 |
| Loans payable, related party | 97,736 |
| Deferred revenue | <u>38,164</u> |
| Total current liabilities | <u>312,190</u> |

Shareholders' deficit:

| | |
|------------------------------|------------------|
| Preferred stock | - |
| Common stock | 90,300 |
| Additional paid-in capital | 20,212 |
| Retained deficit | (30,306) |
| Year-to-date net loss | <u>(246,547)</u> |
| Total shareholders' deficit. | <u>(166,341)</u> |

Total liabilities and shareholders' deficit \$ 145,849

See accompanying notes to condensed consolidated financial statements.

STARCOM WIRELESS NETWORKS, INC.
formerly known as BASIC TECHNOLOGIES, INC.
Condensed Consolidated Statements of Operations
(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|--------------------|----------------|-------------------|----------------|
| | <u>March 31,</u> | | <u>March 31,</u> | |
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| Revenues | \$ 105,983 | \$ 64,255 | \$ 320,769 | \$ 241,072 |
| Costs and expenses: | | | | |
| Cost of revenues | 56,989 | - | 189,100 | 4,522 |
| Selling, general and administrative | 128,231 | 447,467 | 378,565 | 873,949 |
| Provision for bad debt | <u>(4,458)</u> | <u>-</u> | <u>(2,229)</u> | <u>-</u> |
| Total costs and expenses | <u>180,763</u> | <u>447,467</u> | <u>565,436</u> | <u>878,471</u> |
| Loss from operations | (74,780) | (383,212) | (244,667) | (637,399) |

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Other income (expense):

| | | | | |
|-------------------------|--------------------|---------------------|---------------------|---------------------|
| Gain on debt settlement | - | 18,160 | - | 23,222 |
| Loss on sale of assets | - | - | - | (1,018) |
| Interest income | - | 860 | - | 3,229 |
| Interest expense | (1,880) | (73,731) | (1,880) | (73,731) |
| Deferred tax benefit | - | 148,894 | - | 233,137 |
| Income tax provision | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net loss | \$ <u>(76,660)</u> | \$ <u>(289,029)</u> | \$ <u>(246,547)</u> | \$ <u>(452,560)</u> |

Loss per share

| | | | | |
|---------|-----------|-----------|-----------|-----------|
| Basic | \$ (0.01) | \$ (0.04) | \$ (0.03) | \$ (0.06) |
| Diluted | \$ (0.01) | \$ (0.04) | \$ (0.03) | \$ (0.06) |

See accompanying notes to condensed consolidated financial statements.

STARCOM WIRELESS NETWORKS, INC.
formerly known as BASIC TECHNOLOGIES, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited)

| | Nine Months Ended | |
|---|-------------------|-------------------|
| | March 31, | |
| | 2003 | 2002 |
| Net cash used in operating activities | \$ 58,617 | \$ (164,119) |
| Cash flows from investing activities: | | |
| Acquisition of equipment and leasehold improvements | (85,557) | (18,426) |
| Proceeds from the sale of fixed assets | <u>-</u> | <u>15,000</u> |
| Net cash used in investing activities | <u>(85,557)</u> | <u>(3,426)</u> |
| Cash flows from financing activities: | | |
| Proceeds of shareholder loans | 97,736 | 69,019 |
| Bank borrowing and other notes | - | 90,000 |
| Principal repayments on bank and other notes | - | (16,047) |
| Proceeds from settlement of lawsuits | - | 18,160 |
| Stock subscriptions received | - | 1,232 |
| Dividends paid to common shareholders | <u>(55,567)</u> | <u>-</u> |
| Net cash provided by financing activities | <u>42,169</u> | <u>162,364</u> |
| Net increase (decrease) in cash | 15,229 | (5,181) |
| Cash, beginning of period | <u>-</u> | <u>2,682</u> |
| Cash, end of period | \$ <u>15,229</u> | \$ <u>(2,499)</u> |

Supplemental disclosure of cash flow information:

Cash paid during the year for:

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| | | |
|---|-----------|----------|
| Income taxes | \$ _____ | \$ _____ |
| Interest | \$ _____ | \$ _____ |
| Non-cash financing activities: | | |
| Equipment acquired under capital leases | \$ 24,943 | \$ _____ |

See accompanying notes to condensed consolidated financial statements.

StarCom Wireless Networks, Inc.
Formerly known as Basic Technologies, Inc.
Notes to Condensed Financial Statements

(Unaudited)

Note 1: Basis of presentation

The financial statements presented herein have been prepared by the Company in accordance with the accounting policies in its Form 10-KSB dated June 30, 2002, and should be read in conjunction with the notes thereto.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Financial data presented herein are unaudited.

Note 2: Income taxes

The Company records its income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." The Company incurred net operating losses during the nine months ended March 31, 2003 resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense resulted in \$-0- income taxes.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis covers material changes in the financial condition of StarCom Wireless Networks, Inc., formerly known as Basic Technologies, Inc. ("Company" or "us") since June 30, 2002 and material changes in our results of operations for the nine months ended March 31, 2003, as compared to the same period in 2001. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis" included in the Company's Annual Report on Form 10K-SB for the year ended June 30, 2002, including audited financial statements contained therein, as filed with the Securities and Exchange Commission.

Special note regarding forward-looking statements

This report contains forward-looking statements within the meaning of federal securities laws. These statements plan for or anticipate the future. Forward-looking statements include statements about our future business plans and strategies, statements about our need for working capital, future revenues, results of operations and most other statements that are not historical in nature. In this Report, forward-looking statements are generally identified by the words "intend", "plan", "believe", "expect", "estimate", and the like. Investors are cautioned not to put undue reliance on forward-looking statements. Except as otherwise required by applicable securities statutes or regulations, the

Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise. Because forward-looking statements involve future risks and uncertainties, these are factors that could cause actual results to differ materially from those expressed or implied.

Results of Operations

Nine Months Ended March 31, 2003 Versus Nine Months Ended March 31, 2002

We incurred a net loss of \$246,547 for the nine months ended March 31, 2003, as compared to a net loss of \$452,560 for the nine months ended March 31, 2002 primarily due to the reorganization of our business to an Internet Services Provider. In the year earlier period, we provided remediation services, oil field services and high speed internet access.

Sales revenue increased approximately 33%, from \$241,072 for the nine months ended March 31, 2002, to \$320,769 for the nine months ended March 31, 2003 primarily due to the reorganization of our business.

General and administrative expenses decreased approximately 57%, from \$873,949 for the nine months ended March 31, 2002, to \$378,565 for the nine months ended March 31, 2003 due to office staff reductions and our reorganization.

Interest income decreased from \$3,229 during the nine months ended March 31, 2002 to \$-0- for the nine months ended March 31, 2003 because we have disposed of our interest bearing investments.

Financial Condition and Liquidity

The source of our liquidity is from sales revenue and cash injections from interested shareholders. We have current assets of \$60,292 compared with current liabilities of \$312,190 as of March 31, 2003.

Our strategy in the near future is to focus on providing service to existing customers. We believe that our future success will be the result of increasing our market share by increasing our marketing budget and continuing to provide quality service.

The following discussion and analysis covers material changes in the financial condition of StarCom Wireless Networks, Inc., formerly known as Basic Technologies, Inc. ("Company" or "us") since June 30, 2002 and material changes in our results of operations for the nine months ended March 31, 2003, as compared to the same period in 2001. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis" included in the Company's Annual Report on Form 10K-SB for the year ended June 30, 2002, including audited financial statements contained therein, as filed with the Securities and Exchange Commission.

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ITEM 3. CONTROLS AND PROCEDURES

Gary Brown, Chief Executive Officer and Chief Financial Officer of StarCom Wireless Networks, Inc. has established and is currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to ensure that material information relating to the Company is made known to them as soon as it is known by others within the Company.

Our Chief Executive Officer and Chief Financial Officer conducts an update and a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on their evaluation within 90 days of the filing of this Report, that our disclosure controls and procedures are effective for gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the previously mentioned evaluation.

PART 2

• **OTHER INFORMATION**

Item 1 - Legal Information:

Item 2 - Changes in Securities:

In addition, the Form 8-K announced the completion of a reverse stock split of its common stock by a ratio of one-for-seven (1-for-7). The restated number of common shares outstanding as of this date is 7,142,967.

Item 3

- Defaults Upon Senior Securities:

No response required.

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

At the Company's annual meeting of shareholders on May 13, 2003, the following actions were taken:

1. The following individuals were elected as directors of the Company: Gary L. Brown, Robert D. Francis, Tim White and Stephen L. Rogers were elected as directors. There were 23,650,889 shares voting in favor, 0 against, and 1,765 shares abstaining.
2. The selection of Cordovano & Harvey, P.C. as auditors of the Company was ratified. There were 23,619,154 shares voting in favor of the ratification and 33,500 shares abstaining.
3. The 2003 Equity Incentive Plan was approved, with 22,583,955 shares voting in favor of the approval, 7,765 shares against, and 500 shares abstaining.
4. The reverse split of the outstanding securities of the Company was approved, with 23,641,639 shares voting in favor of the reverse split, 10,515 shares against, and 500 shares abstaining.
5. The redomestication of the Company as a Delaware corporation was approved by a vote of 23,589,455 shares voting for redomestication, 2,265 shares against, and 500 votes abstaining.
6. A change of the Company's name was approved by a vote of 23,650,389 shares voting in favor of a name change, 1,765 shares against, and 500 votes abstaining.

Item 5 - Other information:

No response required.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits:

| Exhibit No. | Description |
|-------------|---------------|
| 99.1: | Certification |

(b) Reports on Form 8-K:

On May 7, 2003, the Company filed a Form 8-K, Current Report announcing its redomestication to a corporation formed and organized under the laws of the state of Delaware; and its name change to "StarCom Wireless Networks, Inc."

SIGNATURES

The financial information furnished herein has not been audited by an independent accountant; however, in the opinion of management, all adjustments (only consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the nine months ended March 31, 2003 have been included.

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STARCOM WIRELESS NETWORKS, INC.
formerly known as BASIC TECHNOLOGIES,
INC.
(Registrant)

Date: May 20, 2003

By: /s/ Gary L. Brown
Gary L. Brown, President , Chief Executive
Officer and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of StarCom Wireless Networks, Inc., formerly known as Basic Technologies, Inc. (the "Company") on Form 10-QSB for the period ending March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary L. Brown, President, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gary L. Brown

Gary L. Brown, President,
Chief Executive Officer and
and Chief Financial Officer
May 20, 2003