CHINA WIRELESS COMMUNICATIONS INC
Form 10KSB
April 15, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark One)
[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________ to ________________

Commission file number: 333-49388

CHINA WIRELESS COMMUNICATIONS, INC.
(Name of small business issuer in its charter)

NEVADA	91-1966948
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1746 COLE BOULEVARD, SUITE 225, GOLDEN, CO 80401-3210
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: 303-277-9968

Securities registered under Section 12(b) of the Exchange Act: NONE

Securities registered under Section 12(g) of the Exchange Act: NONE

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. Yes X No __

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is 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: $-0-

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: $ 3,537,567 as of March 15, 2005

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 47,167,569 as of December 31, 2004

Transitional Small Business Disclosure Format (Check one): Yes ____ ; No X____

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We caution readers regarding forward looking statements found in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by or on our behalf. We disclaim any obligation to update forward-looking statements.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

CORPORATE BACKGROUND

We were originally incorporated in Nevada on March 8, 1999 under the name AVL SYS International Inc ("AVL SYS"). On March 9, 2000, AVL SYS changed its name to I-Track, Inc ("ITI"). Effective September 30, 2001, ITI entered into an exclusive worldwide distribution agreement with AVL Information Systems Ltd. ("AVL"), an affiliated Canadian public company. Under the agreement, ITI was licensed to market and distribute all of the products manufactured by AVL. The exclusive distribution agreement with AVL was cancelled in September 2002 at which point ITI began to seek another business opportunity. On March 21, 2003, ITI entered into an "Assignment and Assumption Agreement" with AVL, whereby ITI distributed to AVL all its assets and AVL assumed all liabilities of ITI. Accordingly, as of March 21, 2003, ITI entirely ceased its prior business operations.

On March 22, 2003, ITI acquired all of the issued and outstanding shares of Strategic Communications Partners, Inc., a Wyoming corporation ("SCP"), pursuant to the terms of a Share Exchange Agreement. A total of 19,000,000 restricted shares of ITI's common stock were issued to the shareholders of SCP, resulting in the SCP shareholders as a group owning approximately 88.4% of the outstanding shares of common stock. At this time, SCP became a wholly owned subsidiary. On March 24, 2003, in connection with our acquisition of SCP, ITI's name was changed to China Wireless Communications, Inc.

SCP was incorporated in the State of Wyoming on August 13, 2002. Through a subsidiary in China, Strategic Communications Partners Limited ("SCPL"), it provided financial, technical, and marketing services in Beijing, People's Republic of China ("PRC"). SCPL was incorporated in Hong Kong on December 9, 2002. SCPL's business activities to date consist solely of supporting the Beijing operations. On March 4, 2003, SCPL set up a wholly owned enterprise, Beijing In-Touch Information System Co. Ltd. ("In-Touch") in the PRC. Effective July 31, 2004, SCP was merged into us. SCPL then became a direct subsidiary of us as a result of the merger.

In-Touch provided broadband data, video and voice communications services to customers that were not served by existing landline based fiber networks. During the 4th quarter of 2004, we closed In-Touch due to high operational expenses incurred and flat sales/revenue generation of the transport business in 2004. All office leases were terminated and transport equipment returned to respective vendors. Additionally, all staff and employees were terminated effective October 1, 2004.

On December 8, 2004, we signed a strategic consulting agreement with Jiaxin Consulting Group, Inc., a British Columbia corporation ("Jiaxin") to obtain assistance in financial asset management, financial internal controls, operational oversight, and business development in China.

On March 8, 2005, Jiaxin and we signed a strategic agreement to form CJ Information Technology Company, which will become the vehicle to provide information technology services in China. We incorporated CJ Information Technology Company in Nevada on March 10, 2005. As of the date of this report, we own 51% of CJ Information Technology Company, while Jiaxin owns 49%. These percentages are likely to change as we raise funding for Tianjin Create IT Co. Ltd. However, we anticipate that we will continue to own a majority of the outstanding stock.

CJ Information Technology Company owns 60% of Tianjin Create IT Co. Ltd., a limited liability company formed in the PRC, in consideration for funding of $250,000. Tianjin Create Co. owns the other 40% in consideration for the transfer of its operating assets into the new company. Tianjin Create Co. is a computer network systems integration and broadband integrator located in Tianjin City, China. Its customer base includes universities and colleges, enterprises businesses, and government entities.

INDUSTRY BACKGROUND

With over 60 million users, China has surpassed Japan to become the world's second largest Internet market. Enterprises have installed high-speed local area networks to support bandwidth-intensive applications, and the large monopoly carriers have invested hundreds of millions of dollars in fiber optic networks to provide massive backbone network capacity.

The opportunity to provide high-speed wireless broadband for customers utilizing existing carriers transport as well as broadband radio transport will now be part of the company's overall strategy to become a premier information technology provider. We will utilize proven information technology to complete and meet end users' business objectives as well as increased revenue for the company. These customers would include commercial business, universities and government enterprises.

KEY ALLIANCES AND PARTNERSHIPS

On August 15, 2003, we signed a contract with MCI International Ltd. Co. ("MCI"), which permits us to extend the reach of our information technology and services in China. This agreement allows China Wireless to provide MCI International ATM [asynchronous transport mode] services to reach North America, South Pacific, Asian and European markets to our existing suite of service offerings. ATM service enables customers to transmit voice, video and data communications over a single virtual network to and from Europe, North America and other world-wide locations served by MCI facilities. Domestic and International services are available to customers within China as well as access to China by worldwide customers. Our monthly recurring charge is $32,817 for the

China IPL [international private line] circuit with a minimum term of 3 years. This agreement with MCI provides voice, video and data transport service to our customers in China, and worldwide connections at MCI international locations. We are able to offer this service to our customers at prices we determine, which is generally influenced by market competition.

COMPLIANCE WITH GOVERNMENTAL REGULATIONS

Our operations and partnerships are subject to various levels of government controls and regulations in the PRC. As a result, we may be exposed to certain risks associated with, among others, the political, economic and legal environment and foreign currency exchange. Our results may be adversely affected by change in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, and remittance abroad, and rates and methods of taxation, among others. Our management does not believe these risks to be significant. We cannot assure you, however, that changes in political and other conditions will not result in any adverse impact.

EMPLOYEES

As of March 31, 2005, we have 5 full-time employees.

ITEM 2. DESCRIPTION OF PROPERTY.

Our principal executive offices are located at 1746 Cole Boulevard, Suite 225, Golden, Colorado, where we lease approximately 800 square feet of space on a lease expiring in August 2005.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

By means of a written consent to action dated September 30, 2004, the holders of a majority of our outstanding shares approved an amendment to the Articles of Incorporation to increase the number of authorized shares of common stock to 250,000,000.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our common stock was approved for trading on the over-the-counter bulletin board ("OTCBB") under the symbol "ITRK" on August 7, 2001. On December 2, 2002, the symbol was changed to "ITCK" and there was a 1-for-20 reverse stock split. On March 28, 2003, the symbol was changed to "CWLC", after we changed our name to China Wireless Communications, Inc. The following table sets forth the range of high and low closing bid quotations of our common stock for each fiscal quarter shown, as adjusted to reflect the reverse stock split:

BID OR TRADE PRICES

2003 FISCAL YEAR	HIGH	LOW
Quarter Ending 03/31/03......................	$ 0.85	$ 0.70
Quarter Ending 06/30/03......................	$ 0.45	$ 0.41
Quarter Ending 09/30/03......................	$ 0.90	$ 0.75
Quarter Ending 12/31/03......................	$ 0.52	$ 0.45

2004 FISCAL YEAR	HIGH	LOW
Quarter Ending 03/31/04......................	$ 0.89	$ 0.460
Quarter Ending 06/30/04......................	$ 0.61	$ 0.175
Quarter Ending 09/30/04......................	$ 0.40	$ 0.041
Quarter Ending 12/31/04......................	$ 0.18	$ 0.036

As of December 31, 2004, there were approximately 273 record holders of our common stock

On March 15, 2005, the closing price for our common stock on the OTCBB was $0.075.

The above quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

During the last three fiscal years, no cash dividends have been declared on our common stock and we do not anticipate that dividends will be paid in the foreseeable future.

During 4th quarter 2004 there were no unregistered securities issued.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

OVERVIEW

On March 22, 2003, I-Track Inc. acquired all of the issued and outstanding shares of Strategic Communications Partners, Inc., a Wyoming corporation ("SCP"), pursuant to the terms of a Share Exchange Agreement, resulting in the shareholders and management of SCP having actual and effective control of I-Track Inc. On March 24, 2003, I-Track Inc. changed its name to China Wireless Communications, Inc. to better reflect the business activities of the company.

We were in the development stages in 2003 and 2004 and continued to maintain a high cost for operations with very little sales/revenue value to achieve breakeven. SCP had no revenues in 2002. We began to record revenues in June 2003. The primary activities during 2003 included: the finalization of our analysis of the market in Beijing and China for wireless broadband; setting up a Beijing office with a sales, engineering and administrative staff to market and support the sale of our high speed wireless broadband services; negotiating agreements and alliances with its partners to allow In-Touch to sell it services and value-added products; and the initiation of the construction of its fixed wireless broadband network system in Beijing.

During the 4th quarter of 2004, we closed In-Touch due to high operational expenses incurred and flat sales/revenue generation of the transport business in 2004. All office leases were terminated and transport equipment returned to respective vendors. Additionally, all staff and employees were terminated effective October 1, 2004.

We are now in the process of changing our business direction from the management of a wireless broadband network to the development of technology integration and IP services in China. We decided to utilize the services of Jiaxin Consulting Group, which has extensive experience in business development and asset management in China. We formed CJ Information Technology Company on March 10, 2005, which will be the vehicle through which we manage all of our assets and operations in China. CJ Information Technology Company in turn formed a foreign joint venture called Tianjin Create IT Co. Ltd.

Through Tianjin Create IT Co. Ltd., we are a provider of information technology and IP services to customers in China in conjunction with Tianjin Create Co. Through our partner Tianjin Create Co. we are able to provide engineering and IP service support for existing and future IP customers in China. In addition, we will be able to offer a broad base of information technologies from IP security, wireless broadband, Wi-Fi, to "last mile" transport connections.

GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of us as a going concern. We incurred a net loss for the year ended December 31, 2004 of $4,029,162, and at December 31, 2004 had an accumulated deficit of $8,580,228 and a working capital deficit of $444,215. These conditions raise substantial doubt as to our ability to continue as a going concern. These consolidated financial

statements do not include any adjustments that might result from the outcome of this uncertainty. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

We are currently developing strategic partnerships with firms in the United States, Canada, and Asia to raise capital for the purpose of acquiring firms in the PRC engaged in information technology integration, providing IP services, technology consulting and manufacturing of related technology products. Our ability to continue as a going concern is dependent upon the successful implementation of a business plan and ultimately achieving profitable operations. However, there is no assurance that we will be able to raise the necessary capital to execute our business strategy. Our inability to raise the required capital or implement our business strategy successfully could adversely impact our business and prospects.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rates of exchange on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at year-end are translated at the approximate rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the rates of exchange prevailing at the time the asset or liability was acquired. Exchange gains and losses are recorded in the statement of operations.

CHINESE TAX HOLIDAY

To date, all of our revenues have been generated in the PRC by In-Touch. Being a high tech enterprise, In-Touch is exempted from the PRC enterprise income tax from 2003 to 2005, followed by a 50% reduction for the next three years.

RESULTS OF OPERATIONS

In December of 2004, we closed In-Touch in Beijing. The decision to discontinue these operations was due to higher than expected operating costs, the inability to acquire the necessary infrastructure, and increased competition. Revenues from our operations had been generated by In-Touch. Due to the closing of In-Touch, our statements of operations do not reflect any revenues. Instead, our statements reflect losses from discontinued operations of $1,019,213 and $1,193,794 for the 2004 and 2003 fiscal years, respectively. Operating expenses for the year ended December 31, 2004 were $3,106,942 as compared to $2,325,604 for the year ended December 31, 2003. Net losses for the years ended December 31, 2004 and 2003 were $4,029,162 and $3,536,067, respectively. Operational expenses for year ended December 31, 2004 included $3,106,942 relating to issuance of stock for compensation.

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In the 3rd Quarter 2004, we began to evaluate the continued high cost versus revenue generation. Our management team came to the conclusion that efforts must be made to reduce operational costs and focus the sales efforts to services that brought immediate value to the network. However, we did not have the funding resources to continue to invest into the Beijing In-Touch operations unless the revenues increased significantly. We re-evaluated the assets and capability of In-Touch to continue as a profitable and value-added business. Therefore, late in the 3rd Quarter 2004, it was deemed imperative that we seek an alternative plan to recover the business and regain shareholder confidence in the company.

In the 4th Quarter 2004, the management team began discussions with Jiaxin and Tianjin, China to assist in gaining entry into the new markets such as universities, brokerage firms, various China government agencies and commercial business enterprises utilizing information technologies. Jiaxin provided consulting services to re-evaluate our efforts to maintain our broad technology base with clients in China, as well as provide business development.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2004, we had current assets of $4,789 as compared to

$227,734 at December 31, 2003, and current liabilities of $449,004 at December 31, 2004, resulting in a working capital deficit of $444,215, as compared to a deficit of $693,179 at December 31, 2003.

For the year ended December 31, 2004, we used $1,066,583 of cash for our operating activities, while financing activities, which consisted of proceeds from the issuance of our common stock, provided cash of $645,130. A decrease in pledged deposits and the discontinuation of operations also provided cash of $422,436. In comparison, during 2003, we used $1,138,054 of cash for operating activities and $381,468 for investing activities, which consisted primarily of the acquisition of property, plant and equipment, which cash of $1,325,752 was provided by financing activities. Financing activities consisted of sales of our common stock and borrowing.

PLAN OF OPERATION

We have recently focused our efforts in becoming a premier information technology company. We believe that the information technology business is beginning to develop quickly in China and that we can be a major player in its development.

Our original efforts to provide design and construction of fixed wireless broadband network systems will be part of the overall information technology strategies being executed. However, we plan to broaden our scope to become a systems integration company that will provide a broad base of information technologies to our clients. These technologies include engineering design, implementation, Wi-Fi, broadband wireless, systems integration, IP securities, data storage, voice/video/data telecommunications services and managed services.

By partnering with Tianjin Create Co. and utilizing the services of Jiaxin, we plan to build upon their existing business and experience. We believe that we will have a better chance to succeed through this route rather than starting a new business "from scratch."

The appointment of a new Chief Operating Officer to oversee the operations in China will be announced shortly. We plan to increase our staffing levels in China only as required or as the business growth demands such action.

ITEM 7. FINANCIAL STATEMENTS.

See pages beginning with page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Effective February 19, 2003, we engaged The Rehmann Group ("Rehmann") as our principal accountant (such engagement was approved by our then board of directors). Edwards, Melton, Ellis, Koshiw & Company, P. C. ("Edwards") was our principal accountant preceding Rehmann. Edwards resigned effective December 19, 2002 as our independent accountant because it informed us that it was no longer going to be conducting audits of public companies.

Prior to our engagement of Rehmann, we had not consulted with Rehmann as to the application of accounting principles to any specific completed or contemplated transaction, or the type of audit opinion that might be rendered on our financial statements, and no written or oral advice was provided that was an important factor considered by us in reaching a decision as to an accounting, auditing or financial reporting issue.

On April 15, 2003, we dismissed Rehmann as our independent accountants, due primarily to the transaction with SCP. Our management recommended the change in independent accountants, and our board of directors approved the change. In March 2003, Moores Rowland was engaged to be our international accounting firm (such engagement was approved by our then board of directors). Previously, in January 2003, SCP engaged Moores Rowland as our principal accountant.

Prior to our engagement of Moores Rowland, we had not consulted with Moores Rowland as to the application of accounting principles to any specific completed or contemplated transaction, or the type of audit opinion that might be rendered on our financial statements, and no written or oral advice was provided that was an important factor considered by us in reaching a decision as to an accounting, auditing or financial reporting issue.

Rehmann's reports on the financial statements for the fiscal year ended December 31, 2002 did not contain an adverse opinion, or a disclaimer of opinion, or was qualified as to audit scope or accounting principles. However, the unqualified opinion included an explanatory paragraph regarding our ability to continue as a going concern. Furthermore, during the most year ended December 31, 2002 and through April 15, 2003, there were no disagreements with Rehmann on any matter of accounting principles or practices, financial statement disclosure or auditing scope and procedures, which disagreements, if not resolved to the satisfaction of Rehmann, would have caused that firm to make reference to the subject matter of such disagreements in connection with its reports.

On October 1, 2003, Moores Rowland merged with Mazars and is now practicing under the name of Moores Rowland Mazars.

On January 11, 2005, Moores Rowland Mazars resigned as our independent public accountants. Our board of directors approved the resignation of Moores Rowland Mazars. Moores Rowland Mazars had audited our consolidated balance sheet as of December 31, 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2003 and for the period from August 13, 2002 (inception) to December 31, 2002 and the amounts included in the consolidated cumulative period from August 13, 2002 (inception) through December 31, 2003.

The audit report of Moores Rowland Mazars on the financial statements as of December 31, 2003 and for the year ended December 31, 2003 and for the period from August 13, 2002 (inception) to December 31, 2002 did not contain any adverse opinion or disclaimer of opinion, or was modified as to audit scope, accounting principles or uncertainty, except for a going concern opinion expressing substantial doubt about our ability to continue as a going concern.

During the two most recent fiscal period/year ended December 31, 2003 and the subsequent interim period through January 11, 2005, there were no disagreements with Moores Rowland Mazars on any matter of

accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of Moores Rowland Mazars, would have caused it to make reference to the subject matter of the disagreement in connection with its report. There were no other "reportable events" as that term is described in Item 304(a)(1)(iv) of Regulation S-B occurring within our two most recent fiscal period/year ended December 31, 2003 and the subsequent interim period ended January 11, 2005.

On February 1, 2005, we engaged Bongiovanni & Associates, P.A., Charlotte, North Carolina, as our principal accountant to audit our financial statements for the year ending December 31, 2004. Our board of directors approved the engagement of Bongiovanni & Associates, P.A.

Prior to the engagement of Bongiovanni & Associates, P.A., we had not consulted Bongiovanni & Associates, P.A. as to the application of accounting principles to any specific completed or contemplated transaction, or the type of audit opinion that might be rendered on our financial statements, and no written or oral advice was provided that was an important factor considered by us in reaching a decision as to an accounting, auditing or financial reporting issue.

ITEM 8A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer / Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934 as of December 31, 2004. Based on his evaluation, our Chief Executive Officer / Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as of the date of the evaluation.

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in the preceding paragraph.

ITEM 8B. OTHER INFORMATION.

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Our executive officers and directors are:

NAME	AGE	POSITION
Pedro E. Racelis III	54	Interim President, Chief Executive Officer and Direc
Allan Rabinoff	58	Chairman of the Board of Directors
Henry Zaks	61	Director
Michael Bowden	55	Vice President Operations and Director
Brad Woods	45	Director

Vacancies in our board are filled by the board itself. Set forth below are brief descriptions of the recent employment and business experience of our executive officers and directors.

PETE RACELIS, INTERIM PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR

Mr. Racelis has been our Interim President, Chief Executive Officer, and a director since June 2004. A veteran of direct sales and management in multi-national companies for more than 21 years, Pete has extensive experience with telecommunications, operations, management and organizational skills. Prior to joining the company in October 2002, Mr. Racelis sold hardware and software solutions to telecommunications carriers, financial institutions, and commercial businesses both nationally and internationally in North America. Mr. Racelis has held executive level positions as Vice President/GM at Winstar Wireless (1995-1997), Director of Sales at Amati Corporation (1997-1998), and Vice President at Stox.com (1998 - 2001), in the past five years before joining China Wireless.

ALLAN RABINOFF, CHAIRMAN OF THE BOARD OF DIRECTORS

Dr. Allan Rabinoff has been a principal in Intelligent Network Communications, LLC and IP2IP, LLC, since November 2001. Dr. Rabinoff also served as a corporate advisor to Helvstar S.A., a Swiss investment holding company, with focused investments in manufacturing and distribution companies in Europe, the US, and Asia. Dr. Rabinoff's role was to evaluate technology commercialization and investment opportunities, make recommendations to the board of directors, and assist companies in structuring a possible relationship with Helvstar. Based on his recommendation, Helvstar concluded and implemented a multi-million dollar technology commercialization deal in 1999. Previously, Dr. Rabinoff had accepted the responsibilities of Director for First Star Ventures Inc., a Nevada corporation, which provided executive consulting services to companies seeking private equity funding or assistance with mergers and acquisitions. Throughout his business career he has focused on maximizing opportunities in a rapidly changing business environment He has been a director since February 2004.

HENRY ZAKS, DIRECTOR

Mr. Zaks has been a director since October 2003. He has been the President of Zaks-Shane, LTD., a Wisconsin-based organization that specializes in marketing business-to-business solutions to both corporations and small companies. He has over 30 years as a sales professional, and is renowned as an insurance marketing expert. He became a director on October 9, 2003.

MICHAEL A. BOWDEN, VICE PRESIDENT OPERATIONS AND DIRECTOR

Mr. Bowden has been our Vice President of Technology Operations since February 2003 and a director since January 2005. He has over 25 years of telecommunications experience in both highly technical and major account sales environments. His experience includes supporting complex projects ranging from $100K to $58M in annual revenue. He provided telecommunications consulting services from August 2002 to February 2003. From December 2000 to August 2002, he was a senior sales engineer for Net.com, a Denver, Colorado, company that provided telecommunications equipment to carriers. Mr. Bowden was a technical support manager for Qwest Communications International Inc. (formerly US West Communications), Denver, Colorado, from October 1998 to December 2000.

BRAD WOODS, DIRECTOR

Mr. Brad Woods was previously served as our Interim President & CEO from August 2003 to June 2004, and chief financial officer, secretary, and treasurer from March 2003 to June 2004. He has been a director since March 2003. He is a member of Breckenridge Capital Consulting Group, LLC. He has extensive experience in international investments, acquisitions, taxation, and computer applications with both public and

private companies. Mr. Woods has also worked for Arthur Andersen & Co., where he executed projects for and on behalf of clients in the oil and gas, financial services, leasing, lodging, retail and light manufacturing industries. His experience includes practicing before the Securities and Exchange Commission, both with existing public companies and initial public offerings. He has also served as an advisor to numerous companies. Mr. Woods is a CPA in Colorado.

CONFLICTS OF INTEREST

Our officers and directors are, so long as they are our officers or directors, subject to the restriction that all opportunities contemplated by our plan of operation which come to their attention, either in the performance of their duties or in any other manner, will be considered opportunities of, and be made available to us and the companies that they are affiliated with on an equal basis. A breach of this requirement will be a breach of the fiduciary duties of the officer or director. If we or the companies with which the officers and directors are affiliated both desire to take advantage of an opportunity, then said officers and directors would abstain from negotiating and voting upon the opportunity. However, all directors may still individually take advantage of opportunities if we should decline to do so. Except as set forth above, we have not adopted any other conflict of interest policy with respect to such transactions.

COMMITTEES

In fiscal 2004 the board of directors did not have a standing audit, nominating, or compensation committees, rather the entire board of directors acted in such capacity.

CODE OF ETHICS

We have not yet adopted a code of ethics. We intend to do so in the near future.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

As our common stock is not registered under the Securities Exchange Act of 1934, we are not subject to Section 16(a) of the Exchange Act.

ITEM 10. EXECUTIVE COMPENSATION.

The following table sets forth information the remuneration of our chief executive officers and our four most highly compensated executive officers who earned in excess of $100,000 per annum during any part of our last three fiscal years:

SUMMARY COMPENSATION TABLE

LONG TERM COMPENSATION

	ANNUAL COMPENSATION				AWARDS		PA
NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSA- TION($)	RESTRICTED STOCK AWARD(S) ($)	SECURITIES UNDERLYING OPTIONS/ SARS (#)	P
Peter Racelis Vice President (1)	2004	111,134	-0-	-0-	64,000	800,000	