SKYLYNX COMMUNICATIONS INC
Form 10KSB
November 30, 2005

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

FORM 10-KSB

þ   ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the fiscal year ended June 30, 2005

o   TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from _____, 20_____, to _____, 20_____.
Commission File Number
0-27635

SkyLynx Communications, 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 Number)**

500 John Ringling Boulevard, Sarasota, Florida 34236
(Address of Principal Executive Offices)
(941) 388-2882
(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:

Title of each class:	**Name of each exchange on which registered:**
Common Stock, par value $.0001 per share	**None**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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. þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act). YES o NO þ

State issuer s revenues for its most recent fiscal year....$471,477

The aggregate market value of the Registrant s common stock held by non-affiliates of the Registrant as of June 30, 2005 was approximately $942,208 based upon the closing sale price of the Registrant s common stock.

The number of shares outstanding of the Registrant s common stock as of June 30, 2005 was 30,019,442.

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The following documents are incorporated herein by reference:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21. Resignation letter From Steven S. Jesson dated September 2, 2004 (Incorporated by reference from

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Current Report on Form 8-K filed September 3, 2004)

22. The Board of Directors approved the election of Kevin Gorman and Robert Weiss to the Board of Directors (Incorporated by reference from Current Report on Form 8-K filed September 13, 2004)

23. Resignation letter from Kevin Gorman from the Chief Operating Officer Position, dated November 18, 2004 (Incorporated by reference from Current Report on Form 8-K filed November 26, 2004)

24. Resignation letter from Kevin Gorman from the Board of Directors, dated January 28, 2005 (Incorporated by reference from Current Report on Form 8-K filed January 31, 2005)

25. The Board of Directors approved Steve Smith to serve as Vice President, Chief Operating Officer and a board member (Incorporated by reference from Current Report on Form 8-K filed February 25, 2005)

26. The Company entered into an agreement to sell all of its shares in its subsidiary, SkyLynx Communications de Costa Rica, S.A. (Incorporated by reference from Current Report on Form 8-K filed April 25, 2005)

27. The Company entered into a Letter of Intent to acquire ADTECH Systems, Inc. (Incorporated by reference from Current Report on Form 8-K filed May 5, 2005)

28. The Company disclosed several transactions related to the unregistered sales of its equity securities (Incorporated by reference from Current Report on Form 8-K filed May 9, 2005)

29. Agreement and Plan of Merger between SkyLynx Communications, Inc. and ADTECH Systems, Inc. (Incorporated by reference from Current Report on Form 8-K filed May 31, 2005)

30. Defined the closing date of the Agreement and Plan of Merger between SkyLynx Communications, Inc. and ADTECH Systems, Inc. (Incorporated by reference from Current Report on Form 8-K filed June 29, 2005)

31. The Company disclosed several transactions related to the unregistered sales of its equity securities (Incorporated by reference from Current Report on Form 8-K filed August 8, 2005)

32. The Company disclosed several transactions related to the unregistered sales of its equity securities (Incorporated by reference from Current Report on Form 8-K filed August 17, 2005)

33. Termination of Agreement and Plan of Merger between SkyLynx Communications, Inc. and ADTECH Systems, Inc. (Incorporated by reference from Current Report on Form 8-K filed August 22, 2005)

34. Resignation of Daniel J. Sullivan as Chief Financial Officer, effective September 28, 2005 (Incorporated by reference from Current Report on Form 8-K filed September 29, 2005)

35. Approval of change in the Company s Certified Accountant (Incorporated by reference from Current Report on Form 8-K filed November 3, 2005)

Transitional Small Business Disclosure Format (Check one): Yes o; No þ

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PART I

ITEM 1. DESCRIPTION OF BUSINESS.

(a) Business Development

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

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

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

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

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

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

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

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(b) Spin-Off and Change in Control.

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

Yankee Development Corporation,

Simpco, Inc.,

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

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

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

Cyber Cities Technologies, Inc., a Hawaiian corporation.

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

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

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

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

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

Effective May 1, 2002, in anticipation that Mr. Brown and his affiliates would complete the exercise of the option to acquire 4,900,000 shares of common stock of the Company from the Shelton Voting Trust and thereby effect a change in control of the Company, Bryan Walker, Laura Walker, Richard Smith and Derek

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Smith voluntarily resigned as officers and directors of the Company. Following such resignations, the remaining directors of the Company were Gary Brown, Steve Jesson and William Chastain. Mr. Chastain subsequently elected not to serve as a director.

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

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

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

(c) Spin-Off Trust.

Effective June 15, 2002, the Company transferred to a spin-off trust all 8,198,356 shares of common stock of Founders Industries which were held for distribution to the Basic shareholders, pro rata, pursuant to the spin-off whose previously declared effective date was February 8, 2002. The trustee of the spin-off trust is Bryan Walker. Under the terms of the spin-off trust, the trustee has taken delivery of all of the Founders spin-off shares pending completion of the registration statement, its having been declared effective and the completion of the spin-off distribution. Further, if the spin-off is not completed for any reason within two years, then the trustee has been authorized to dispose of the spin-off shares in any commercially reasonable fashion and to distribute the proceeds derived from that disposition to the Basic shareholders, pro rata, in lieu of the distribution of the shares of common stock of Founders Industries, Inc.

As a result of having entered into the spin-off trust agreement and transferring the shares of Founders Industries common stock held for distribution to the Basic shareholders, pro rata, the historical operations of the Company, now owned by Founders Industries, have become de-consolidated from the operations of the Company as of the effective date of the spin-off, to wit: June 15, 2002. As a result of this de-consolidation, the financial statements of Basic Technologies, Inc. as of June 30, 2002, its fiscal year end, have been prepared without consolidation of the historical operations of the Company after December 31, 2001 whose assets are now held by Founders Industries.

(d) Acquisition of Rover Telcom Corporation.

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

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Secretary and General Counsel, received 750,000 shares of common stock and Mr. Jesson received 937,500 shares of common stock. Rover Telcom owns and operates an internet service provider serving the Fresno, California market.

(e) Redomestication, Reverse Split and Name Change.

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

1.   The reverse split of its common stock by a ratio of 1-for-7;

2.   Its redomestication to a corporation formed and organized under the laws of the State of Delaware; and

3.   Its name change to   StarCom Wireless Networks, Inc.

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

(f) Acquisition of Interim Resources Corporation.

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

Kevin Gorman served as Chief Operating Officer of the Company and on September 13, 2004 he was also appointed to the Board of Directors of the Company. Mr. Gorman resigned as COO on November 18, 2004 and as a director on January 28, 2005. Mr. Fatula served as Vice President   Information Technology until June 30, 2005. He currently serves as a consultant to the Company. Mr. Anderson served as Vice President   Engineering until June 30, 2005. The Company has employed Messrs. Gorman, Fatula and Anderson since August 2003. Mr. Anderson resigned effective July 15, 2004.

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

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

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

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

Effective April 30, 2004, the reorganization of SkyLynx Costa Rica was completed and Mr. Yepes transferred to the Company shares representing 75% of the issued and outstanding shares of common stock of SkyLynx Costa Rica, thus consummating the Purchase Agreement. In connection therewith, the

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Company issued to Yepes, in escrow, an aggregate of 300,000 shares of the Company s common stock in consideration of the shares of SkyLynx Costa Rica.

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

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

(h) Consolidation

The consolidated financial statements for the year ended June 30, 2005 and 2004 consolidate the activities of SkyLynx Communications, Inc. and its subsidiaries SkyLynx Communications de Costa Rica S.A. (until its disposition in April 2005) ICR and Rover Telcom Corporation . All significant inter-company balances and transactions have been eliminated in consolidation.

(i) Sale of SkyLynx Costa Rica

SkyLynx Costa Rica secured exclusive rights to tower sites strategically located throughout the country. It subsequently deployed and successfully tested its wireless broadband network in certain regions of Cost Rica. The next phase was to build out the balance of the infrastructure and begin to market its services to hotels, hospitals and other commercial customers. The anticipated cost to complete this phase was significant. In the meantime, SkyLynx had deployed its wireless data network for beta testing in two domestic markets. Based on the initial success of those tests, and considering the investment to build out the balance of the infrastructure in Costa Rica, it was determined that the company s investment was better used for the deployment of its proprietary wireless data network and the pursuit of other strategic acquisitions. Therefore, on April 19, 2005, the Company entered into an agreement to sell all of its shares of capital stock of its subsidiary, SkyLynx Communications de Costa Rica, S.A. On April 21, 2005 the Company completed the sale of its interest in SkyLynx Communications de Costa Rica, S.A. to OrbiLynx Communications, Inc. Under the terms of the agreement the Company sold all the outstanding shares of SkyLynx Communications de Costa Rica, S.A. that it owned for $300,000. The payment consisted of $61,497 in cash, $188,503 in forgiveness or assumption of Company liabilities and a $50,000 promissory note. The promissory note bears interest at 5% per year and has a two-year term.

During the quarter ending June 30, 2005, the Company recorded a gain on the sale of its interest in SkyLynx Communications de Costa Rica, S.A. of approximately $89,000.

The President of OribLynx Communications, Inc. is Gustavo A. Yepes. From December 2003 through the closing, Mr.Yepes was employed by the Company as the Vice President Latin American Operations. Of the $188,503 forgiveness or assumption of Company liabilities, $169,017 was owed to Mr. Yepes for unpaid salaries and un-reimbursed cash advances made by Mr. Yepes for operations in Costa Rica. The Company paid the balance to Mr. Yepes. Mr. Yepes resigned from the Company effective with the closing.

(j) Definitive Agreement to acquire StarCom

On April 17, 2003 Basic Technologies, Inc., (subsequently SkyLynx) entered into a Letter of Intent with StarCom Wireless, Inc., (hereafter StarCom). The terms of the transaction were:

1. All outstanding options and warrants issued by StarCom were to be cancelled.

2. All debt, (secured, unsecured, unpaid salaries, convertible notes, trade accounts payable in excess of $1,500,000 were to be converted to StarCom common stock and included in the StarCom Equity. SkyLynx would assume up to $1,500,000 of such debt.

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3. SkyLynx agreed to issue 50% of the outstanding $.0001 par value Common Stock in exchange for all shares of common stock of StarCom and all such shares were to be restricted shares as described in the Securities Exchange Act of 1934, as amended.

4. Shares held by AllCom, Inc., (AllCom) an affiliate and control person of StarCom, were in dispute and a sufficient number of SkyLynx Common Stock were to be held in escrow pending the dispute resolution as to the true ownership of those shares.

5. SkyLynx initially advanced $30,000 to StarCom and received a UCC-1 form securing the advance. With interest these advances grew to a total of $112,500.

The due diligence revealed debts far in excess of $1,500,000 and StarCom was unable to obtain the requisite shareholder approval to complete the transaction. On June 22, 2004 StarCom filed for the protection of Ch. 11 of the U. S. Bankruptcy Act in the U. S. Bankruptcy Court, In and For Puerto Rico.

On November 23, 2004 SkyLynx, StarCom and AllCom entered into a Letter of Intent whereby SkyLynx agreed to purchase the assets of StarCom under the auspices of a Plan of Reorganization and Disclosure Statement to be filed by StarCom in the Ch. 11 proceeding. SkyLynx was to also acquire assets of AllCom for the issuance of shares of the $.0001 par value Common Stock of SkyLynx along with warrants to purchase added shares of SkyLynx.

SkyLynx was to issue 1,250,000 shares of the $.0001 par value Common Stock of SkyLynx based on a value of $.50 per share along with a package consisting of an A and a B warrant for each two (2) shares issued with the warrants to the secured creditors.

The unsecured creditors were to receive not more than 150,000 shares of the $.0001 par value Common Stock of SkyLynx at a value of $.50 along with a package consisting of an A and a B warrant for each two (2) shares issued with the warrants.

Each existing shareholder of StarCom stock was to receive 2,500 shares of the $.0001 par value Common Stock of SkyLynx along with a package consisting of 2,500 A warrants and 2,500 B warrants.

After the value of the interests of StarCom and AllCom was determined and the Court confirmed a Plan of Reorganization and after the Effective Date was met, SkyLynx was to issue up to 14,000,000 shares of its $.0001 par value Common Stock with warrants directly to the shareholders of AllCom based on $.50 per share. Those shares were to be registered under the Securities Act of 1933, as amended.

SkyLynx, StarCom and AllCom agreed that they would jointly petition the Bankruptcy Court for approval of this plan. Counsel for StarCom prepared and submitted the Plan of Reorganization and Disclosure Statement. The Court refused to accept the Plan and Disclosure Statement as being inadequate for the creditors and shareholders to make a rational decision.

It soon became apparent to the management of SkyLynx that the proposed transaction would require far more assets of SkyLynx to satisfy the shareholders of AllCom, that the values of the StarCom and AllCom assets were far below what had been represented and that a great likelihood of protracted litigation existed. On these bases SkyLynx determined it to be in the best interests of the shareholders and creditors of SkyLynx to withdraw from the transaction.

The funds advanced by SkyLynx to StarCom under the first letter of intent were not recouped. An additional sum of approximately $30,000 in legal fees was incurred in pursuing this claim.

(k) Definitive Agreement to acquire ADTECH Systems, Inc.

On May 27, 2005, SkyLynx signed a Definitive Agreement to acquire ADTECH Systems, Inc., a Texas corporation with a history of substantial revenues and rapid growth, however, it was experiencing financial distress. The acquisition of ADTECH would have served to accelerate the SkyLynx revenue and earnings model, provided it could be restored to its previous level of performance. After a period of due diligence,

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and an extension to the Definitive Agreement, it expired without execution by mutual consent on August 15, 2005.

BUSINESS OF ISSUER

SkyLynx Wireless Network:

Qualifying the Need for the SkyLynx Wireless Solution

As technology has advanced, capturing data and controlling equipment in remote locations has become both practical and cost effective. The applications that could benefit through the use of this remote data are almost endless. Commercial applications such as vehicle and asset tracking, alarm monitoring, and industrial controls are just a few examples. Tomorrow, there will be even more commercial applications to consider, all requiring data to refine process control, productivity and safety. What may seem like science fiction today, we have seen become commonplace overnight. The technology to gather this data is available and cost effective now; however, the challenge is in the transfer of data from point to point. In most cases it is not feasible to run wires to a remote location, especially if the remote location is a mobile one. The only alternative is to transfer data through some wireless medium. Dedicated radio transmissions work only over a limited distance, unless a repeater is used. This type of system can work in some applications where the remote units are static, but if they travel over any significant distance, it quickly becomes impractical. Satellite systems are very expensive to operate and have limitations in 2-way data communications, which also makes them impractical for most common commercial data applications. Cellular systems provide a hand off from one cellular site to another. This has helped to make cellular systems the de facto standard for the transfer of data. There are severe limitations in using cellular voice networks as a backbone for commercial data applications since they were specifically designed for voice traffic. For instance, how often are cellular voice calls dropped? If we miss a word or two, we can always ask the other person to repeat the sentence, or fill in those blanks by making an educated guess. With data, once a connection is lost, the data flow stops. The connection has to be reestablished and, in most cases, the data transmission must begin again. In many remote locations, cellular service does not exist at all; so many applications are confined to metropolitan areas only where the cellular coverage is concentrated. As the traffic increases on a particular cellular site, the radius of its coverage shrinks, this is called cellular breathing . When this happens, there are gaps in coverage between the cells. The result is predictable; more dropped calls and lost data. Voice takes substantially more bandwidth than data and in a cellular network, and the voice traffic always has priority. In an emergency or a natural disaster, the systems become so crowded, the entire network collapses, such as it did in NY on 9/11, or in Florida during the hurricanes. This means many critical emergency services using a cellular system for data communications will no longer have access to their data. To increase the revenue base, cellular providers are now transmitting broadband and even streaming video over the same crowded cellular networks, adding to the magnitude of the problem. The cost to transmit data over a cellular network with a constant connection, or polling the remote unit every few seconds, makes many applications cost prohibitive. The need existed for a dedicated wireless data network that can provide ubiquitous (or complete) coverage, that has no voice or consumer traffic, is cost effective to operate and use, reliable with easy interface. Such a network would have the potential for millions of commercial users, thus qualifying the need for the SkyLynx Wireless Data Network.

How the SkyLynx Network Works

(see figure 1.0 for system diagram)

The SkyLynx Wireless Data Network Solution   General:

SkyLynx has developed a proprietary data network designed specifically to transmit the type of data used to monitor the location, status and to control remote equipment. This data network has a number of unique properties that distinguish it from any other wireless network. The data is carried on a low frequency FM network.

This particular frequency range was selected for our application because it has several key properties. First, the relatively low frequency band has greater coverage than the higher frequency bands commonly found in cellular phone applications. Second, the frequency will follow the curvature of the earth. This provides additional range because the radio waves are not traveling straight, eventually out into the atmosphere.

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Third, the frequency tends to penetrate obstacles that normally would block or shadow the signal used in other line-of-sight frequency sets. This is important in dense metropolitan areas where building would normally interfere with coverage. The same is true in areas with dense foliage, hills and terrain that shadow the signal, preventing reliable data communication. Fourth, these frequencies are not currently used, or in demand. This means that SkyLynx can obtain the use of these frequencies in virtually any market for only a nominal charge. Licenses for other higher frequencies can be very costly and difficult to obtain. Finally, the frequency is less susceptible to interference from other transmissions. This interference is commonly referred to as noise . Noise can be a source of data corruption and thus, is a major consideration.

The SkyLynx Radio Modem:

SkyLynx has developed a radio modem, which converts data into packets of information then transmits this data over the SkyLynx network. It also receives packets of information from the network and converts the data back to its original format. This is important because it allows the customer to interface virtually any type of equipment to the radio modem via a serial connection or an Ethernet port. The SkyLynx radio modem handles all of the data conversion. The radio modem also has the ability to transfer batch broadband data files via Wi-Fi connection while in a hot spot . This is a valuable feature for mobile applications because it allows units to download logged data automatically when returning at the end of a shift for example. SkyLynx can also update system software and firmware via this Wi-Fi interface. This interface is carried out without the need to connect any cables. The radio modem can detect interference on the current frequency and automatically change to another less affected frequency. An optional Mobile Data Terminal can be added to display messages, status, etc. as a user interface.

Base Station:

The data is transmitted between a remote unit and the base station . These base stations consist of a rack of equipment including the radio, a frame relay, power supplies as well as backup power supplies. The base stations are normally collocated at existing tower sites with other similar equipment. The antenna is mounted on the tower. One base station has the equivalent coverage of approximately one hundred cellular towers. The cost of one base station is approximately $15,000, including installation. The cost to deploy the SkyLynx network, therefore, is a fraction of other competitive systems such as cellular. Each base station has the capacity to handle many thousands of users. Additional base station radios and be added in existing racks at the tower site, expanding the capacity exponentially with only incremental cost. A frame relay is connected to the base station radio interfacing it to the SkyLynx Network Operation Center.

Network Operations Center:

Frame relays connected to each of the base stations are terminated at the Network Operations Center. This center acts as a clearing house for the data. As the data is passed through the network operations center it is either encoded or decoded. The coding includes encryption algorithms that secure the data from any potential tampering. The data is supplied to the end user either through a dedicated line that can be interfaced directly to a supervisor control program or a computer aided dispatch system, or it can be accessed by the end user through a secure SkyLynx web site. If a customer supplies the specifications for the protocols used by their systems, SkyLynx can develop the drivers to interface its network seamlessly.

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Figure 1.0

Flexibility

The SkyLynx Wireless Data Network can interface to any traditional cellular based network for the purpose of delivering data to the customer through a dedicated line or through a web based interface. In essence, in this case, SkyLynx Wireless can act as a back room or call center for its customer. Applications can range from position reporting over a secure web site to monitoring and support services such as On Star.

The Market

Industry Segments:

The market for the SkyLynx wireless data network can be divided into the following major segments or categories with a brief description of specific applications. Each would enjoy substantial benefits using the network:

Automatic Vehicle Location (AVL)- This category includes First Response Groups (Police, Fire and Ambulance) as well as commercial users, such as trucking fleets. AVL provides a tracking, monitoring and data-exchange system for their fleet of vehicles. Location and status information can be displayed directly on a map through a Computer Aided Dispatch program at the Customer s operations center. By knowing precisely where units are and their status, fleets can be managed more efficiently with quicker response.

Telematics- Telematics is the use of wireless data transmission to monitor or control remote devices, equipment, or vehicles between the mobile device and a fixed point. A prime example of Telematics is increasing the horsepower of an over-the-road truck as it approaches a mountain range automatically, giving the extra power it needs, then, reducing the horsepower once it has crossed the mountains to save fuel; without the driver even being aware of the change. The trucks location is monitored and controlled from a central, remote location. Maintenance information related to the vehicle operation can also be transmitted and collected. When the driver reaches his next stop, service would already be scheduled and the necessary parts would be dispatched and available rather than experiencing a part failure in an inconvenient location and suffering substantial down time.

Telemetry- The transfer of data between two fixed positioned locations. This would typically include applications such as reading residential or commercial utility meters, plus providing load shed control to save energy consumption during peak periods. Other applications can include measuring the inventory of a vending machine to determine when the machine needs to be serviced as well as the mix of products required. By time and date stamping the purchase, patterns can be tracked and the machine

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stocked with the optimum product mix given the time of the year, temperature, and buying cycle, thus maximizing the return on the vending machine.

Supervisory Control & Data Acquisition (SCADA)- SCADA is a part of automated process control system that provides monitoring and the remote control of devices such as opening and closing valves, monitoring levels, flow, temperature, just to site a few examples. Each day on your way to work, you most likely pass several lift stations, used in wastewater collection. You do not see them, because they are underground. Each one of those lift stations normally has three or more pumps. Each pump must be monitored as well as the level of wastewater in the holding tank. If there is a pump malfunction, another pump can be started, then, a maintenance crew can be dispatched. Without the proper monitoring and control, sewage overflows would most likely happen. A reasonable size metropolitan area can have 15,000 lift stations or more. Each industrial plant you also see on your way to work will have hundreds of points they are monitoring and controlling using SCADA. You can get a sense for the potential volume just through your daily travels.

Location Based Services- Other applications the network can support include Location Based Services (LBS), which relate information relevant to mobile users such as; roadside assistance to motorists, remote data collection such as weather reports, road conditions, traffic bottlenecks, location of fueling stations, restaurants, movie theatres, ATM or points of interest etc., navigation assistance, and even instructions for troubleshooting or repair.

The Revenue Model:

SkyLynx will receive its revenue through the sale of its radio modem as well as residual income from ongoing network usage. The monthly rate structure is based on usage with three primary revenue groups: high, medium and low usage categories. The high usage group includes the Unlimited National Plan at $75.00 per month (typical applications would be Ambulance Services). The medium usage group includes the Silver Plan at $35.00 per month (typical applications would be fleet monitoring). The low usage group is the LynxLite plan at $15.00 per month or lower (typical examples are Alarm or Exception Monitoring). The Customer will sign a 3 or 4-year contract for services, giving the Company firm future revenue visibility. As an alternative to the capital expenditure for the equipment, SkyLynx can offer a leasing option. In most cases the equipment and ongoing network cost can be easily justified and provide the customer with a handsome, return on their investment.

Each channel, with an average mix of customers, has the capacity to generate up to $800,000 in annual revenue. Adding additional channels can increase revenue. Each additional channel can add another $800,000 in revenue.

The Costs:

Base stations are located at existing tower sites. The SkyLynx antenna is co-located on a tower with other users. These towers can be located in rural areas or even on the top of a building. The cost to install a base station is approximately $15,000. The ongoing cost to operate a base station is under $1,500 per month, which includes tower rental and frame relay cost. The base station radio and its associated equipment are mounted in a rack in the equipment room at the tower site. To add another base station, increasing capacity, requires only the cost of the radio and its associated equipment. It can simply be mounted in the empty space in the rack and in most cases can use the same antenna. The cost to add an additional radio and associated gear is around $5,000. The radio spectrum or frequency is divided into channels, similar to your radio dial. Each base station radio supports one channel. The antenna can support up to 15 channels or base stations. A typical metropolitan area can be served with 100% coverage using three locations or base stations, on an average. A SkyLynx base station can be installed and operational in approximately 90 days. This means an entire metropolitan area can be covered in a very short period of time.

Initial Deployment:

The SkyLynx network was beta tested for over a year with outstanding success. The Company has now begun commercial deployment in four markets: Seattle/Tacoma, WA, Denver/Aurora, CO, Salem, OR, and Orlando, FL. This geographic area covers over 3 ^{1}/4 million people. SkyLynx currently has the second largest ambulance service provider under contract in the above markets. By using AVL, the customer can

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interface each ambulance in the field to their Computer Aided Dispatch systems. This can have a significant impact on their business by allowing them to:

Respond to emergency calls much quicker, with less equipment in the field.

Avoid costly fines from their municipal customers due to slow call response.

Participate in municipal contracts that require AVL and CAD implementation.

Have future capabilities to transmit patient data and accident scene photos via a secure network.

Payback: Even with the cost of the equipment and ongoing monthly charges of $75 per unit, they receive a return in a matter of a few months. Many municipalities charge a fine for late response, each minute an ambulance is past a maximum response time it can cost the service as much as $100.00 per minute. By analyzing traffic patterns and more effectively managing their fleet, they can dramatically improve response time. This not only saves them money, but it can save the lives of patients as well. The quickest unit to a scene may not always be the closest due to one-way streets and traffic congestion. By using their resources more effectively, an ambulance service can also cover up to 300% more area with the same equipment. Other First Responders can benefit in the same way. Customers such as this are technology savvy and have researched all other alternatives. Based on exhaustive study, they chose the SkyLynx solution, even though initially SkyLynx was a development stage company, because the solution was far superior to any alternative network. Based on this success, SkyLynx has begun its marketing efforts by targeting AVL and First Responders.

Ambulance Services: There are approximately 40,000-45,000 ambulances operating in the U.S. The largest operator in the country is AMR; the second largest ambulance operator is Rural/Metro Corporation. The Driscoll industry report estimates 15% of ambulances are equipped with AVL systems. While some are stand-alone systems, many are integrated with Computer-Aided Dispatch (CAD) systems. AVL provides major benefits to the industry, including:

Improved response time

Efficient deployment of response units

Fleet management

Non-public secure data communications

Future enhancements in technology to increase patient care including patient data transfer to hospitals

AVL Market Statistics:

The AVL market has matured and is relatively easy to quantify at this point. This in buy no means the only market that SkyLynx serves.

Based on the 2003 report by C.J. Driscoll & Associates, the Total Available Market for AVL is approximately 22 million units, with less than 5% currently equipped with AVL. The AVL market is highly fragmented with approximately 150-200 AVL suppliers, most only selling the equipment. These equipment suppliers must use conventional terrestrial or satellite networks. We believe that SkyLynx can offer an attractive alternative to these networks by providing unique data communications using VHF frequencies that will cover larger geographic regions without interruption. The Wi-Fi capabilities of the product add additional flexibility other systems cannot offer.

Opportunities for SCADA, Telemetry and Telematics greatly outnumber that of AVL.

The Driscoll study concluded that while awareness of AVL systems remain low in today s commercial fleet operators, many municipalities as well as the federal government have done extensive studies on the benefits of AVL systems.

Competition:

The closest thing to a universal standard for data is Cellular Digital Packet Data (CDPD), a digital overlay scheme that is imposed on analog AMPS networks maintained by cellular carriers but not PCS operators. CDPD messages, which share voice circuits with voice transmissions and occupy intervals of silence within those transmissions, cannot (by

design) encroach upon voice capacity and thus cannot overload a network but they are strictly limited to a maximum throughput speed of 9.6 kbps. The migration to 3G (CDMA or GSM) is now becoming a reality, CDPD seems certain to play a diminishing role in mobile data

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The move towards higher bandwidth capabilities has really been targeted at the cellular industry s sweet spot individual customers who require voice and may now want to transmit pictures, video downloads, Web surfing and downloading ring tones. Should they succeed in enticing their installed base to use these services; the amount of bandwidth available for the business user will be negatively impacted. It should also be noted that it is a matter of physics the higher the bandwidth, the less coverage. Couple this with a weakness called cell breathing (increasing the load on an individual cell site reduces the coverage area) and SkyLynx s technology presents a strong case to the business market.

The three competing air interfaces for digital cellular and PCS (CDMA (IS-95), TDMA (IS-136) and GSM) support session-based data transmission over voice circuits, which mean that an entire voice channel is occupied through the duration of the data transmission. Such circuit data schemes are inefficient because most data transmissions do not require a continuously open circuit due to their inherent nature; i.e., data is sent in bursts.

There are only a few Wireless Data Network (WDN) providers in relation to the many Value Added Resellers (VARs). The WDN providers fall into three broad categories, terrestrial-based networks, satellite-based networks and multimode.

The Company s primary competitors will be within the cellular and satellite industries. Whereas both technologies have their respective strengths, they each also possess distinct disadvantages that can be exploited.

Cellular Technology:

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

Satellite Technology:

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

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Comparison:

Below, we summarize some of the comparison between the SkyLynx network and other competitive networks:

	SkyLynx	**Cellular**	**Satellite**
Coverage	Broad Geographic Coverage	Population Centric Coverage	Broad Geographic Coverage
Bandwidth	Low bandwidth to achieve distance; high bandwidth at hotspots.	High bandwidth where available.	Good bandwidth with line of sight.
End Users	Regionally base station limitation will range from high hundreds to several thousand radios supported.	Regional cell sites will support thousands of users.	Depending on carrier and satellite, possible to support thousands of users.
Capacity	Increasing base station capacity is as simple as adding a radio.	Additional towers required for incremental increase in capacity.	Additional satellites required.
Target Markets	Target markets are commercial therefore network is engineered to support actual number of users.	Main market is general population. Network is engineered to support average number of users at peak time.	Target markets are commercial and are engineered to support average number of users at peak time.
Network	Dedicated network is designed to support more than actual users in the area.	Network is susceptible to traffic jam when over loaded such as during times of natural disaster or other large emergencies. Proliferation of web surfing	Transmissions are susceptible to atmospheric interference.
Pro s and Con s	Very terrain friendly, able to penetrate where other frequencies cannot.	and sending of pictures will use significant bandwidth that business markets may be relying on.	Requires line of sight (clear view) to transmit and receive.

Wireless Communications Networks:

Below is a chart summarizing wireless communication networks used for AVL:

Network	Estimated AVL Units	Suppliers (examples)
Circuit Switched Cellular	150,000	Terion PeopleNet AirIQ
Cellular Digital Packet Data (CDPD)	130,000	@Road

		Teletrac
		AirLink Communications
Digital Cellular	12,000	Minorplanet (GSM)
		Data Burst Technologies
		QUALCOMM *OmniExpress*

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Network	Estimated AVL Units	Suppliers (examples)
iDEN	30,000	@Road
		ISR
Aeris Microburst	53,000	Aircept
		AirIQ
Cellemetry	20,000	Aether Systems
		Intertrak Tracking Services
		AVL Information Systems
Private Two-Way Radio Channels	100,000	Mentor Engineering
		Mobile Knowledge
		Motorola
		Orbital Sciences
Cingular Wireless (Mobitex)	35,000	Wireless Matrix
		Discrete Wireless
		Digital Dispatch Systems
ReFlex Paging Networks	10,000 15,000	Satellite Security Systems
Motient (ARDIS)	30,000	Aether Systems *MobileMAX*
Teletrac Proprietary Network	40,000	Teletrac
OmniTRACS	260,000 - 300,000	QUALCOMM
Mobile Satellite Ventures (MSAT)	60,000	Aether Systems *MobileMAX*
		Vistar Datacom
		WirelessMatrix
	10,000	XATA Road Manager
ORBCOMM		Caterpillar

Source: C.J. Driscoll & Associates

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Lastly, we summarize the major network operators and its offerings:

Company	Terrestrial Based	Satellite Based	Monthly Fee	Separate Equipment Costs
AirIQ	ü		ü	
@Road	ü		ü	ü
AirLink	ü		ü	ü
CES Wireless	ü		ü	ü
CompassCom	ü		ü	ü
HGI Wireless	ü		ü	ü
Teletrac	ü		ü	ü
StarCom Wireless	ü		ü	