R WIRELESS INC
Form 10QSB
August 17, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

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

For the quarterly period ended JUNE 30, 2004

Commission file number 0-32335

R WIRELESS INC.
(Exact name of small business issuer as specified in its charter)

GEORGIA	58-2558702
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4210 COLUMBIA ROAD, SUITE 10-C MARTINEZ, GEORGIA	30907-0401
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number: (212) 534-2202

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

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 [ ]

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

COMMON STOCK

(Title of class)

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

R WIRELESS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2004 (UNAUDITED)	SEPTEMBE 2003
ASSETS		
CASH	$ 323	$
PROPERTY AND EQUIPMENT - NET	4,352	6,
OTHER ASSETS	250	
	$ 4,925	$ 7,
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 318,246	$ 308,
Short-term notes payable	20,598	20,
Stockholder advances	46,184	46,
Total current liabilities	385,028	376,
STOCKHOLDERS' EQUITY (DEFICIT)		
Paid in capital - 1,000,000 preferred shares authorized; none issued and outstanding	--	
Paid in capital - no par common - 50,000,000 shares authorized; issued and outstanding 15,293,651 shares at June 30, 2004 and September 30, 2003	1,497,111	1,497,
Less amounts receivable for the purchase of common stock	(17,656)	(92,
	1,479,455	1,404,
Accumulated deficit	(1,859,558)	(1,773,
	(380,103)	(368,
	$ 4,925	$ 7,

The accompanying notes are an integral part of these consolidated financial statements.

R WIRELESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED JUNE 30, 2004	2003
REVENUES	$ 5,895	$ 13,636
OPERATING EXPENSES		
Salaries, commissions and benefits	--	85,033
Professional fees	23,462	19,792
Office expense	28	937
Travel	--	--
Rent	401	2,000
Magazine printing	4,590	2,900
Depreciation	626	2,408
Utilities and telephone	237	455
Advertising	111	--
Other	2,513	2,504
	31,968	116,029
Operating loss from continuing operations	(26,073)	(102,393)
OTHER INCOME (EXPENSE)		
Gain on settlement of accounts payable	1,342	--
Interest	(1,906)	(1,533)
	(564)	(1,533)
Loss from continuing operations before income taxes	(26,637)	(103,926)
PROVISION FOR INCOME TAXES	--	--
Loss from continuing operations	(26,637)	(103,926)
DISCONTINUED OPERATIONS		
Operating loss of discontinued Direct Lending operations	--	--
Gain from disposal of discontinued Direct Lending operations	--	--
Net income from discontinued Direct Lending operations	--	--

Net loss	$ (26,637)	$ (103,926)
PER SHARE INFORMATION:		
Basic net loss per common share	$ (0.00)	$ (0.01)
Weighted average shares outstanding	15,293,651	14,818,651

The accompanying notes are an integral part of these consolidated financial statements.

R WIRELESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICI

	COMMON STOCK			
	SHARES ISSUED AND OUTSTANDING	PAID IN CAPITAL	AMOUNTS RECEIVABLE FOR COMMON STOCK ISSUED	ACCU DE
BALANCE, SEPTEMBER 30, 2002	3,962,282	$ 808,053	$ --	$(1,
Common stock issued for cash and services	4,647,626	232,000	(92,159)	
Common stock options awarded as settlement for cash advances, accrued interest and accrued compensation	--	73,585	--	
Common stock issued as repayment for notes payable and related accrued interest	133,487	33,372	--	
Common stock issued for cash	75,256	30,101	--	
Common stock issued as compensation to executives	4,500,000	225,000	--	
Common stock issued for professional services	2,100,000	95,000	--	
Common stock cancelled	(125,000)	--	--	
Net loss	--	--	--	(
BALANCE, SEPTEMBER 30, 2003	15,293,651	1,497,111	(92,159)	(1,
Cash and services received from stockholders for shares issued in a prior period	--	--	74,503	
Net loss	--	--	--	
BALANCE, JUNE 30, 2004 (UNAUDITED)	15,293,651	$ 1,497,111	$ (17,656)	$(1,

The accompanying notes are an integral part of these consolidated financial statements.

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R WIRELESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE NINE MONTHS ENDED JUNE 30, 2004	2003
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net loss	$ (85,827)	$(586,10
Adjustments to reconcile net loss to net cash used in operating activities of continuing operations:		
Net income from discontinued Direct Lending operations	--	(6,96
Depreciation	1,878	9,26
Expenses settled by issuance of common stock	--	300,00
Professional services received for common stock issued in a prior period	24,300	-
Changes in deferred and accrued amounts:		
Accounts receivable	--	3,12
Other assets	--	1,05
Accounts payable and accrued expenses	9,539	156,13
Deferred revenues	--	(2,84
Adjustments for changes in operating assets and liabilities of discontinued Direct Lending operations	--	12,41
Net cash used in operating activities of continuing operations	(50,110)	(113,92
FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Proceeds, net of repayments, from short-term notes payable and stockholder advances	(700)	(75
Proceeds from the sale of common stock	--	114,50
Cash received from stockholder for shares issued in prior period	50,203	-
Net cash provided by financing activities of continuing operations	49,503	113,75
Net cash used in continuing operations	(607)	(16
CASH USED IN DISCONTINUED DIRECT LENDING OPERATIONS		
Operating activities	--	(18,44
Investing activities	--	16,61
Net cash used in discontinued Direct Lending operations	--	(1,82
Net decrease in cash	(607)	(1,99
CASH, BEGINNING OF PERIOD	930	2,48

CASH, END OF PERIOD	$ 323	$ 49

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R WIRELESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE NINE MONTHS ENDED JUNE 30,	
	2004	2003
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 2,067	$ 3,791
Cash paid for income taxes	$ --	$ --
Noncash financing activities		
Common stock issued as repayment for cash advances, notes payable and related accrued interest	$ --	$33,371
Common stock options awarded as settlement for cash advances, accrued interest and accrued compensation	$ --	$73,585

The accompanying notes are an integral part of these consolidated financial statements.

R WIRELESS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of R Wireless Inc. and subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The Company's management believes that all adjustments considered necessary for a fair presentation have been included in the consolidated financial statements. For further information, refer to the consolidated financial statements and footnotes thereto for the fiscal year ended September 30, 2003, included in the Company's Form 10-KSB, filed on March 12, 2004 with the Securities and Exchange Commission.

R Wireless, Inc., with its subsidiaries, has suffered recurring losses while devoting substantially all of its efforts to raising capital, identifying and pursuing businesses in the Wi-Fi and other industries for alliances and potential business combinations, and developing markets for its For Sale by Owner ("FSBO") advertising conducted through its subsidiary Homes by Owner, Inc. ("Homes"), and offering mortgage services through its now discontinued Direct Lending operations. Additionally, the Company's total liabilities exceed its total assets and the Company's liquidity is substantially dependent on raising capital. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates continuing operations, realization of assets and liquidation of liabilities in the ordinary course of business. The Company's ability to continue as a going concern is dependent upon its ability to raise sufficient capital to implement a successful business plan and to generate profits sufficient to become financially viable. The consolidated financial statements do not include adjustments relating to the recoverability of recorded assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

Certain reclassifications have been made to the financial statements for the nine months ended June 30, 2003 to conform to the current year presentation. These reclassifications resulted in reporting an additional $907 loss from discontinued operations offset by a $907 reduction in the loss from continuing operations.

NOTE 2 - AMOUNTS RECEIVABLE FOR THE PURCHASE OF COMMON STOCK

On December 12, 2002, the Company signed an agreement with MA&N LLC ("MA&N") for the sale of shares of the Company, constituting, after issuance, 51% of the outstanding shares on a fully diluted basis (4,647,626 shares) for consideration of a total estimated value of $232,000. MA&N had reduced the balance of the consideration payable to the Company pursuant to the agreement to $17,656 at June 30, 2004 and $92,159 at September 30, 2003, by funding the payment of current expenses and accounts payable, and providing consulting services to the Company. MA&N will continue to fund the Company and provide consulting services until its shares are paid for in full.

MA&N charges the Company management and consulting fees at the rate of $2,700 per month. The monthly fee also includes the use of MA&N's offices, for which the Company does not have a formal lease agreement with MA&N.

NOTE 3 - EXECUTIVE COMPENSATION

In December 2002, as settlement for $73,585 of cash advances and related accrued interest and unpaid compensation that was recognized in periods prior to September 30, 2002, the Company awarded 294,341 common stock options to a former director and current shareholder of the Company. The options are exercisable at $0.01 per share and expire in five years. No options have been exercised as of June 30, 2004.

(Continued)

NOTE 3 - EXECUTIVE COMPENSATION, CONTINUED

On January 15, 2003, the Company issued 3,000,000 shares and 1,500,000 shares of the Company's Common Stock for the compensation of Mark Neuhaus, Chief Executive Officer, and Ned Baramov, Secretary/Treasurer, respectively, pursuant to employment agreements expiring January 14, 2006 for Mr. Neuhaus, and January 14, 2004 for Mr. Baramov. The basis per share used in the estimation of salary expense for the two executives was $0.05, management's estimate of the fair value, which estimate considered the stock price on January 15, 2003, and a discount which reflects the restricted status of the newly issued shares. The employment agreement for Mr. Baramov expired on January 14, 2004 and has not been renewed, but Mr. Baramov continues to provide services to the Company without direct compensation from the Company.

Mark Neuhaus's monthly salary of $25,000 a month, on deferred basis, was rescinded on December 23, 2003. Mr. Neuhaus did not receive any amounts from the rescinded compensation plan.

NOTE 4 - SEGMENT INFORMATION

In previously issued financial statements, the Company presented segment information for Homes, an advertising segment that provides advertising services for FSBO real estate and for businesses, and for Direct, a mortgage segment that provided mortgage services to individuals and small businesses as a mortgage broker. The Company discontinued its Direct Lending operations and sold substantially all of the assets of Direct in November of 2002. At June 30, 2004, the Company had operations in a single industry segment, Homes. The Company acquired certain Wi-Fi related assets at a total cost of $2,400 to begin operations in the Wi-Fi industry, but at June 30, 2004, the Company had no operating activities in this segment.

NOTE 5 - SUBSEQUENT EVENTS

On August 2, 2004 the Company and a consulting firm executed a Management Consulting Agreement, pursuant to which the consulting firm agreed for a six month period to provide consulting services to the Company in relation to the evaluation of potential merger and acquisition targets. Such services include but are not limited to advising, evaluating and developing corporate strategy, providing company guidance, and assisting in developing relationships and opportunities. In consideration for such services and prior such services, the Company agreed to issue 500,000 shares of its common stock to the consulting firm.

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

The following discussion should be read in conjunction with the consolidated financial statements and notes. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from management's expectations. Factors that could cause differences include, but are not limited to, continued reliance on external sources of financing, fluctuations in pricing for the Company's products and services, increased competition, as well as general conditions of the marketplace.

As of June 30, 2004 the Company has never earned a profit, and has incurred an accumulated deficit of $1,859,558. The acquisition of a controlling interest in the Company by MA&N has given the Company access to additional funds directly from MA&N, and the original business plan envisioned by MA&N, along with alternative business opportunities, may elicit additional funds from third parties. However, the MA&N resources are finite and there can be no assurance of third party funding. The proposed Wi-Fi business has become very competitive and capital-use intensive. The large number of established telecommunications companies entering the Wi-Fi industry has reduced opportunities for R Wireless. Management believes that only Wi-Fi equipment manufacturers are currently successful in generating profits in the Wi-Fi industry, and service providers have yet to develop a profitable business model. Consequently, the Company, with the help of MA&N, has started looking for alternative opportunities.

R Wireless concentrated its efforts on strategic alliances, which could gradually be built into one functional business unit. The main focus of the Company was to acquire financially distressed Wi-Fi companies and leverage on their existing assets. R Wireless has not completed any of the initiated negotiations for mergers and acquisitions.

The Company's original business, the mortgage banking business conducted by Direct Lending, Inc. ("Direct"), has been divested. The advertising business is conducted by the Company's other subsidiary, Homes by Owner, Inc. ("Homes") It publishes the magazine, FOR SALE BY OWNER, which is currently operating at a small deficit. Should there be no allocation of general corporate overhead to its operation, management believes FOR SALE BY OWNER can at best be made marginally profitable. By terminating the mortgage banking operations of Direct and by reducing the expenses of producing the magazine, FOR SALE BY OWNER, the Company has substantially reduced its operating costs. However, these expense reductions do not eliminate the Company's current operating deficits. Homes does not hold a lease for the office it currently occupies on a month-to-month agreement. Homes prints two full-page ads in the magazine, valued at $200, for every month Homes occupies the office.

On September 4, 2003, the Company signed an agreement with Jim Evans ("Evans"), the owner of Freedom Homes, Inc. ("Freedom"), an Augusta, Georgia manufactured housing dealer, for the acquisition of Freedom by Homes in exchange for stock of Homes that gave Evans a controlling interest in Homes. The transaction was subject to a condition subsequent that a financing for Homes of $500,000 must be completed by March 5, 2004, which subsequently was extended to April 5, 2004. The condition subsequent was not fulfilled, and consequently the shares of Freedom were returned to Mr. Evans, and the shares of Homes were returned to R Wireless, Inc. At this time, the Company has no plans to expand the operations of Homes.

LIQUIDITY

At present and historically, the Company has lacked liquidity as a result of insufficient initial financing and continuing operating deficits. The Company has maintained its ability to pay expenses through the sale of common stock from time to time, principally to its former directors, who have made significant investments. As a result of the change of control of the Company, such funding from former directors is not likely to continue. Therefore, the Company will need to rely for its future liquidity needs on the resources of its new controlling shareholder, MA&N, until such time as it arranges other financing or becomes profitable. The amount of funding receivable from MA&N has been reduced to $17,656 at June 30, 2004, which is not sufficient to cover the Company's liabilities. The Company will have to rely on additional financing to satisfy all its obligations to vendors and creditors.

The main source of funds for the quarter ended June 30, 2004 was MA&N, which funded $6,213 in legal, accounting and other professional fees. MA&N also provided consulting and management services for a total of $8,100 during the quarter ended June 30, 2004.

On December 12, 2002 MA&N gained control over the Company through the acquisition of 4,647,626 shares of R Wireless Common Stock. Management valued the consideration at $232,000 in exchange for the shares. As of June 30, 2004 MA&N had provided funding for $165,044 in cash disbursements and $49,300 worth of consulting and management services. Although the Company's access to capital resources remains limited, MA&N's involvement has helped R Wireless maintain its current operations and consider potential Wi-Fi involvements and other possible business alliances. MA&N will continue to fund current expenses, previous operating obligations of the Company and its subsidiaries, consulting services, and will provide management services until it has satisfied all its obligations, as stated in its agreement with the Company dated December 12, 2002. However, due to the change in the Company's strategic focus and the move away from the development of a Wi-Fi business plan, the Company's management agreed that it is not reasonable to require MA&N to acquire four additional Wi-Fi nodes, as stated in the original agreement with the Company. Management has agreed that having MA&N fund current expenses and accounts payable in lieu of acquiring Wi-Fi nodes will be more beneficial to the Company.

CAPITAL EXPENDITURES

The Company has no material commitments for capital expenditures and has had no need, in its previous and current operations, to make material capital expenditures. The development of any business will require capital expenditures, the exact extent of which is not now known, although it is believed that the principal anticipated capital expenditures can be financed to a substantial extent.

To date, the Company, with the help of MA&N, has acquired and installed one Wi-Fi node. All associated expenses, amounting to $2,400 were funded by MA&N.

RESULTS OF OPERATIONS

The following analysis of the Company's operating results excludes the operations of Direct.

- THREE MONTHS ENDED JUNE 30, 2004 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2003.

Revenues from continuing operations, or the revenues of Homes, decreased $7,741 from $13,636 for the three months ended June 30, 2003 to $5,895 for the three months ended June 30, 2004, or 56.7%, as a result of the reduced number of magazines published.

The operating loss from continuing operations decreased $76,320 from $102,393 for the three months ended June 30, 2003 to $26,073, for the three months ended June 30, 2004, or 74.5%, principally as a result of decreases (i) in salaries, commissions and benefits of $85,033 from $85,033 for the three months ended June 30, 2003 to $0 for the three months ended June 30, 2004, or 100% due to the lack of new employment agreements for the year 2004; (ii) in office expenses of $909 from $937 for the three months ended June 30, 2003 to $28 for the three months ended June 30, 2004, or 97% due to reduced use of office space by Homes; (iii) in depreciation of $1,782 from $2,408 for the three months ended June 30, 2003 to $626 for the three months ended June 30, 2004, or 74% due to the near fully-depreciated status of all fixed assets; (iv) in rent expense of $1,599 from $2,000 for the three months ended June 30, 2003 to $401 for the three months ended June 30, 2004, or 80% due to reduced office space rented by the Company in Martinez, Georgia, discontinued rent of office equipment, and reliance on MA&N's office space in New York City, NY.

The decrease in the operating loss from continuing operations was partially offset by increases (i) in magazine printing expenses of $1,690 from $2,900 for the three months ended June 30, 2003 to $4,590 for the three months ended June 30, 2004, or 58.3% due to the increased number of pages per issue and higher quality color printing of the magazine; (ii) in professional fees of $3,670 from $19,792 for the three months ended June 30, 2003 to $23,462 for the three months ended June 30, 2004, or 18.5% due to the increased accounting fees as a result of the Company's filing of tax returns for the year 2003.

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- o NINE MONTHS ENDED JUNE 30, 2004 COMPARED WITH NINE MONTHS ENDED JUNE 30, 2003.

Revenues from continuing operations, or the revenues of Homes, decreased $13,339 from $36,094 for the nine months ended June 30, 2003 to $22,755 for the nine months ended June 30, 2004, or 37%, as a result of the reduced number of magazines published.

The operating loss from continuing operations decreased $507,419 from $589,855 for the nine months ended June 30, 2003 to $82,436 for the nine months ended June 30, 2004, or 86%, principally as a result of the discontinuance of Direct and decreases (i) in salaries, commissions and benefits of $395,768 from $397,218 for the nine months ended June 30, 2003 to $1,450 for the nine months ended June 30, 2004, or 99.6% due to the lack of new employment agreements for the year 2004; (ii) in professional fees of $96,368 from $175,909 for the nine months ended June 30, 2003 to $79,541 for the nine months ended June 30, 2004, or 54.8% due to the reduced legal and accounting fees as a result of the increased involvement of the Company in all filings under the Securities Exchange Act of 1934; (iii) in other operating expenses of $7,421 from $15,395 for the nine months ended June 30, 2003 to $7,974 for the nine months ended June 30, 2004, or 48.2% due to reduced miscellaneous and entertainment expenses, and the lack of license fees and taxes; (iv) in depreciation of $7,384 from $9,262 for the nine months ended June 30, 2003 to $1,878 for the nine months ended June 30, 2004, or 79.7% due to the near fully-depreciated status of all fixed assets; (v) in rent expense of $4,537 from $6,000 for the nine months ended June 30, 2003 to $1,463 for the nine months ended June 30, 2004, or 75.6% due to reduced office space rented by the Company in Martinez, Georgia and reliance on MA&N's office space in New York City, NY.

The decrease in the operating loss from continuing operations was partially offset by an increase in magazine printing expenses of $2,693 from $8,412 for the nine months ended June 30, 2003 to $11,105 for the nine months ended June 30, 2004, or 32% due to the increased number of pages per issue and higher quality color printing of the magazine.

NET OPERATING LOSS CARRYFORWARDS FOR TAX PURPOSES

As of September 30, 2003, the Company has tax net operating loss carryforwards totaling $1,662,790 that expire in 2018 through 2023. Approximately $1,190,000 of the net operating loss carryforwards were incurred prior to December 12, 2002 at which date MA&N acquired 51% of the Company and are consequently subject to certain limitations described in section 382 of the Internal Revenue Code. The Company estimates that, due to the limitations and expiration dates, only $424,000 of the net operating losses incurred prior to December 12, 2002 will be available to offset future taxable income.

Net operating losses after December 12, 2002 were $472,790. The total net operating losses available to the Company to offset future taxable income is $896,790. In view of the losses sustained in the nine months ended June 30, 2004, the net operating loss carryforwards will have increased as of that date. This amount, net of tax (assuming an estimated net federal and state tax rate of 29.5%), together with $6,521 relating to intangible assets and $17,149 relating to accrued wages resulting from differences in reporting for income tax and financial statement purposes, or a total of $288,571 as of September 30, 2003, offset by deferred tax liabilities relating to property and equipment in the amount of $649, leaves a net deferred tax asset of $287,922 that may be used against the Company's future income tax. For financial statement purposes, a valuation allowance of $287,922, or 100%, has been taken against net deferred taxes as of September 30, 2003. A larger equivalent valuation will be taken against the larger amount of such assets as of June 30, 2004. There can be no assurance that these deferred tax assets can ever be used. A deferred tax asset can be used only if there is future taxable income, as to which there can be no assurance in the case of the Company.

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RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-based Compensation - Transition and Disclosure", an amendment of FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and Accounting Pronouncement Board ("APB") Opinion No. 28, "Interim Financial Reporting", to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While SFAS No. 148 does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25. The provisions of SFAS No. 148 are effective for annual financial statements for fiscal years ending after December 15, 2002, and for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. The adoption of SFAS No. 148 did not have a material effect on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts and loan commitments that relate to the origination of mortgage loans held for sale, and for hedging activities under SFAS No. 133. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the financial condition or operating results of the Company.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances.) Many of those instruments were previously classified as equity. SFAS No. 150 is generally effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on the financial condition or operating results of the Company.

In November 2002, the FASB issued Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN No. 45 requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligations assumed under the guarantee and elaborates on existing disclosure requirements related to guarantees and warranties. The initial recognition requirements of FIN No. 45 are effective for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of periods ending after December 15, 2002. The adoption of FIN No. 45 did not have a material effect on the Company's financial position or results of operations.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. FIN No. 46 also requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. FIN No. 46 provides guidance for determining whether an entity qualifies as a variable interest entity by considering, among other considerations, whether the entity lacks sufficient equity or its equity holders lack adequate decision-making ability. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of FIN No. 46 did not have a material effect on the Company's financial position or results of operations.

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Other accounting standards that have been issued or proposed by the Financial Accounting Standards Board that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

ITEM 3. CONTROLS AND PROCEDURES.

EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

The chief executive officer and the chief financial officer, after evaluating the Company's "disclosure controls and procedures" (as defined in Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-14(c) and 15-d-14(c)) as of June 30, 2004, have concluded that the disclosure controls and procedures are not effective to ensure that information the Company is required to disclose in reports that the Company files or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Because of the limited staff of the Company, all transactions are recorded, processed, and summarized by management. Consequently the accuracy of all records is directly known to management, and management has certified the correctness of all facts set forth herein, to the best of their knowledge. However, the reporting accuracy has been achieved at the expense of time, and the Company has been very pressed to meet reporting deadlines.

CHANGES IN INTERNAL CONTROLS

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During fiscal year 2003, the Company's management identified material weaknesses in the Company's disclosure procedures and has taken corrective actions. Management has already implemented disclosure procedural improvements, which should assure the effectiveness, accuracy, and timeliness of the Company's financial reporting systems in the future. As discussed in EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, priority has been given to meeting all reporting deadlines.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Management is not currently aware of any pending, past or present litigation which would be considered to have a material effect on the Company. Management does not know of any outstanding bankruptcy or receivership issues and is not aware of any securities law violations.

Additionally, the Company has no material legal proceedings in which any director, officer or affiliate of the issuer, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company.

ITEM 2. CHANGES IN SECURITIES.

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

NA

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

None

ITEM 5. OTHER INFORMATION.

On March 24, 2004, the SEC filed a civil complaint seeking a temporary restraining order ("TRO") and other relief, alleging an illegal distribution to the public of common stock of Universal Express, Inc. ("Universal"), an unaffiliated organization, by Universal's chief executive officer, its general counsel and four others, including Mark Neuhaus, the Company's Chairman and Chief Executive Officer. Several of the counts do not involve the four other defendants, their involvement being alleged to be as purported consultants to Universal, receiving stock for services at a discount and promptly reselling it.

Mr. Neuhaus is alleged to have violated Sections 5(b) and (c) and Sections 17(a)(1), (2) and (3) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Mr. Neuhaus denies violation of any applicable law in connection with his resale of Universal common stock. The Company believes there is no connection between the Company and Universal other than Mr. Neuhaus' position with the Company and the fact that Mr. Neuhaus was a consultant to Universal and received and resold shares of its common stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS REQUIRED BY ITEM 601 OF REGULATION S-B:

The following exhibits are filed with this Form 10-QSB:

EXHIBIT NO.	EXHIBIT NAME
31.1	Certification by the CEO.
31.2	Certification by the CFO
32.1	Certification pursuant to Section 1350

(b) REPORTS ON FORM 8-K:

The Company did not file any reports on Form 8-K during the quarter ended June 30, 2004.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

R WIRELESS INC.
(Registrant)

By /s/ Mark S. Neuhaus

Mark S. Neuhaus, Chairman and President (Chief Executive Officer)

Date: August 16, 2004

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Mark S. Neuhaus

Mark S. Neuhaus, Chairman and President (Chief Executive Officer)
Date: August 16, 2004

/s/ Ned Baramov

Ned Baramov, Secretary-Treasurer, (Chief Financial Officer)
Date: August 16, 2004