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INTERNATIONAL WIRELESS INC
Form 10QSB
May 20, 2002

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 March 31, 2002

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

For the transition period from _____ to _____

Commission File Number: 000-27045

INTERNATIONAL WIRELESS, INC.

(Exact name of small business issuer as specified in its charter)

Maryland

36-4286069

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

120 Presidential Way Road, Woburn, Massachusetts 01801-1179

(Address of principal executive offices)

781-939-7252

(Issuer's telephone number)

Not applicable

(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 No

As of May 20, 2002, the Company had 16,997,236 issued, and 15,597,242 outstanding shares of its \$.009 par value common stock.

Transitional Small Business Disclosure Format: Yes No

Documents incorporated by reference: None.

INTERNATIONAL WIRELESS, INC.

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INTERNATIONAL WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

March 31, 2002

CURRENT ASSETS

| | |
|--|-----------|
| Cash and cash equivalents | \$170,841 |
| Marketable securities, at market value | 24,147 |
| Prepaid expenses | 152,712 |

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| | | |
|---------------------------------|--------|-------------|
| Total Current Assets | | \$ 347,700 |
| SOFTWARE, NET | | 5,298,238 |
| ----- | | |
| PROPERTY AND EQUIPMENT, Net | | 76,643 |
| ----- | | |
| OTHER ASSETS | | |
| ----- | | |
| Loans receivable, related party | 6,720 | |
| Security deposit | 41,856 | |
| | ----- | |
| Total Other Assets | | 48,576 |
| | | ----- |
| TOTAL ASSETS | | \$5,771,157 |
| | | ===== |

The accompanying notes are an integral part of these condensed financial statements

1

INTERNATIONAL WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

March 31, 2002

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|--|------------|------------|
| ----- | | |
| Accounts payable and accrued expenses | \$ 402,483 | |
| Loans payable | 10,000 | |
| Notes payable, related party | 118,080 | |
| Current portion of capital lease obligations | 10,091 | |
| | ----- | |
| Total Current Liabilities | | \$ 540,654 |

OTHER LIABILITIES

| | | |
|---|--|--------|
| ----- | | |
| Capital lease obligations, less current portion | | 22,419 |
| | | ----- |

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TOTAL LIABILITIES 563,073

STOCKHOLDERS' EQUITY

| | |
|---|-------------|
| Preferred stock \$.001 par value, 5,000,000 shares uthorized, none issued and outstanding | -- |
| Common stock, \$.009 par value, 50,000,000 shares authorized; 15,001,410, issued and outstanding | 135,013 |
| Additional paid in capital | 11,352,835 |
| Stock subscription receivable | (10,000) |
| Deficit accumulated during development stage | (6,269,764) |

TOTAL STOCKHOLDERS' EQUITY 5,208,084

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$5,771,157

The accompanying notes are an integral part of these condensed financial statements

2

INTERNATIONAL WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

For the Three Months ended March 31, 2002 and 2001 and for the
Period January 1, 2001 (Inception) Through March 31, 2002

| | Three Months Ended March 31, | | For the Period September 27, 2000 (Inception) through March 31, |
|-------------------------------------|---------------------------------|-----------|--|
| | 2002 | 2001 | 2002 |
| OPERATING EXPENSES | | | |
| General and administrative expenses | \$ 1,802,615 | \$141,822 | \$3,079,261 |
| TOTAL OPERATING EXPENSES | 1,802,615 | 141,822 | 3,079,261 |

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OTHER EXPENSES

| | | | |
|--|----------------|----------------|----------------|
| Interest expenses, net | 3,174 | 1,365 | 12,028 |
| Unrealized loss on sale of marketable securities | 71,337 | 2,284,411 | 1,643,115 |
| Loss on sale of marketable securities | -- | -- | 1,535,360 |
| | ----- | ----- | ----- |
| TOTAL OTHER EXPENSES | 74,511 | 2,285,776 | 3,190,503 |
| | ----- | ----- | ----- |
| NET LOSS | \$ (1,877,126) | \$ (2,427,598) | \$ (6,269,764) |
| | ----- | ----- | ----- |
| NET LOSS PER COMMON SHARE- | | | |
| ----- | | | |
| BASIC AND DILUTED | \$ (0.14) | \$ (0.54) | |
| ----- | | | |
| WEIGHTED AVERAGE COMMON SHARES | | | |
| ----- | | | |
| OUTSTANDING | 13,507,833 | 4,476,611 | |
| | ===== | ===== | |

The accompanying notes are an integral part of these condensed financial statements

3

INTERNATIONAL WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the Three Months ended March 31, 2002 and 2001 and for the
Period January 1, 2001 (Inception) Through March 31, 2002

| | Three Months Ended March 31, | | For the Period September 27, 2000 (Inception) through March 31, |
|--|---------------------------------|----------------|--|
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net loss | \$ (1,877,126) | \$ (2,427,598) | \$ (6,269,764) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 224,448 | 599 | 237,313 |
| Loss on disposal of fixed assets | 12,250 | -- | 12,250 |
| Stock-based compensation | 926,693 | 33,947 | 1,399,667 |
| Unrealized loss on marketable securities | 71,337 | 2,284,411 | 1,643,115 |
| Loss on sale of marketable securities | -- | -- | 1,535,360 |
| Changes in operating assets and liabilities: | | | |
| Prepaid expenses | 11,405 | -- | (152,712) |

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| | | | |
|--|-----------|--------------|--------------|
| Security deposit | -- | (41,856) | (41,856) |
| Accounts payable and accrued expenses | 142,890 | 10,521 | 314,141 |
| | ----- | ----- | ----- |
| TOTAL ADJUSTMENTS | 1,389,023 | 2,287,622 | 4,947,278 |
| NET CASH USED IN OPERATING ACTIVITIES | (488,103) | (139,976) | (1,322,486) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of marketable securities | -- | -- | 202,892 |
| Purchases of property and equipment | (8,092) | (9,460) | (49,168) |
| Repayments (advances) under loans receivable to related parties | 39,699 | (108,000) | (263,216) |
| | ----- | ----- | ----- |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | \$ 31,607 | \$ (117,460) | \$ (109,492) |

The accompanying notes are an integral part of these condensed financial statements

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INTERNATIONAL WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS, Continued
(Unaudited)

For the Three Months ended March 31, 2002 and 2001 and for the
Period January 1, 2001 (Inception) Through March 31, 2002

| | Three Months Ended March 31, | | For the Period September 27, 2000 (Inception) through March 31, |
|---|---------------------------------|-----------|--|
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net (repayment) proceeds from notes payable, related party | \$ (28,750) | \$163,285 | \$ 118,080 |
| Payments on capital lease obligations | (2,196) | -- | (7,529) |
| Net Proceeds from issuance of common stock | 603,973 | 95,300 | 1,492,268 |
| | ----- | ----- | ----- |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 573,027 | 258,585 | 1,602,819 |
| | ----- | ----- | ----- |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$116,531 | \$1,149 | \$170,841 |

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| | | | | | |
|---------------------------------------|-----------|-------|-------|-------|---------|
| CASH AND CASH EQUIVALENTS - Beginning | 54,310 | \$ | -- | \$ | -- |
| ----- | ----- | ----- | ----- | ----- | ----- |
| CASH AND CASH EQUIVALENTS - Ending | \$170,841 | \$ | 1,149 | \$ | 170,841 |
| ----- | ===== | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these condensed financial statements

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INTERNATIONAL WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - Basis of Presentation

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. Results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the financial statements and footnotes thereto included in the International Wireless, Inc. ("the Company") annual report on Form 10-KSB for the year ended December 31, 2001.

NOTE 2 - Description of Business, Going Concern Uncertainty and Management's Plans

The Company and Nature of Business

International Wireless, Inc. (the "Company") was incorporated on September 27, 2000 in the State of Delaware. The Company intends to acquire software companies involved in wireless technology. During the period September 27, 2000 (Incorporation) through December 31, 2000 the Company did not have any activity. Since January 2001, the Company's efforts have been devoted to raising capital and seeking out companies to acquire. Accordingly, through the date of these financial statements, the Company is considered to be in the development stage and the accompanying financial statements represent those of a development stage enterprise.

Reverse Merger

On December 27, 2001, Origin Investment Group, Inc. ("Origin") acquired all of the Company's outstanding common stock by the issuance of 9,495,014 shares of \$.009 par value common stock (the "Merger"). Simultaneously, Origin changed its name to International Wireless, Inc. and effected a

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one-for-nine reverse stock split, which reduced Origin's outstanding shares of common stock from 10,985,565 to 1,220,890. In connection with the Merger, the Company became a wholly owned subsidiary of Origin and the Company's officers and directors replaced Origin's officers and directors. Prior to the Merger, Origin was a non-operating "shell" corporation. Pursuant to Securities and Exchange Commission rules, the Merger of a private operating company (International Wireless, Inc.) into a non-operating public shell corporation with nominal net assets (Origin) is considered a capital transaction. Accordingly, for accounting purposes, the Merger has been treated as an acquisition of Origin by the Company and a recapitalization of the Company. The historical financial statements prior to December 27, 2001 are those of the Company.

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INTERNATIONAL WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 - Description of Business, Going Concern Uncertainty and Management's Plans, continued

Acquisition Agreement

On January 11, 2002, the Company acquired 100% of the issued and outstanding stock of Mitigo Inc ("Mitigo") for an aggregate purchase price of 4,398,000 shares of the Company's common stock to be issued to the stockholders of Mitigo ("Sellers"). An aggregate of 2,998,006 shares were issued to the sellers at closing and 1,399,994 shares are held in escrow. These escrow shares will be released to the Sellers pursuant to a formula based on net income for 2002 and 2003, as defined in the agreement. Any escrow shares not released to the Sellers, will be returned to the Company.

The allocation of the purchase price was as follows

| | Shares | Fair Value Per Share | Fair Value |
|---|-----------|----------------------|--------------|
| Common Stock (a) (b) | 2,998,006 | 1.76 | \$ 5,276,491 |
| Total Purchase Price | | | \$ 5,276,491 |
| <hr/> | | | |
| Fair value of net assets acquired | | | |
| <hr/> | | | |
| Property and equipment | | \$ 3,989 | |
| Software (C) | | 5,518,998 | |
| Liabilities assumed | | (246,496) | |
| <hr/> | | | |
| Fair value of indentifiable net assets acquired | | | 5,276,491 |
| Goodwill | | | -- |
| <hr/> | | | |

5,276,491
=====