FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

RFP EXPRESS INC

CIK:**929425**| IRS No.: **330959666** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **033-83526** | Film No.: **04590473**
SIC: **3823** Industrial instruments for measurement, display, and control

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

FORM 10-QSB

(Mark One)

☒ Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2003.

☐ Transition report under Section 13 or 15(d) of the Exchange Act
For the transition period from to

Commission file number: 33-83526

RFP Express Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**33-0959666**
(State of Incorporation)	(I.R.S. Employer Identification No.)

5095 Murphy Canyon Road, #105, San Diego, CA 92123

(Address of Principal Executive Offices)

619-400-8800

(Issuer's Telephone Number, Including Area Code)

Check whether 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 ✓

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:
Common Stock, $0.001 par value per share: 17,835,383 (as of December 31, 2003)

Transition Small Business Disclosure Format (check one):

Yes No ✓

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Part I - Financial Information

Item 1. Financial Statements.

RFP Express Inc. and Subsidiaries
(formerly The IXATA Group, Inc. and Subsidiaries)
Condensed Consolidated Balance Sheets
(unaudited)

June 30,		2003		2002
Assets				
Current Assets				
Cash	$	48,349	$	41,321
Accounts receivable		479,044		242,197
Costs and estimated earnings in excess of billings		-		57,885
Prepaid expenses		65,455		–
Total current assets		592,848		341,403
Fixed Assets - Net		128,890		168,746
Intellectual Property - Net		1,333		3,333
Other Assets		4,937		–

Total Assets	$	728,008	$	513,482

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Liabilities and Stockholders' Deficit

Current Liabilities

Current portion of notes payable (Note 3)	$	637,116	$	42,000
Current portion of notes payable related party		830,129		-
Current portion of capitalized lease obligation		99,814		99,814
Accounts payable and accrued expenses		455,199		155,468
Related party payables		109,975		245,652
Accrued payroll and related taxes		85,772		109,913
Accrued interest		63,582		30,813
Deferred revenue		900,614		653,967

Total current liabilities	3,182,201	1,337,627
Notes Payable, Less Current Portion (Note 3)	80,112	1,224,857

Total liabilities	3,262,313	2,562,484

Commitments and Contingencies (Note 6)

Stockholders' Deficit				
Preferred stock, 10,000,000 shares authorized; 2,085,461 issued and outstanding in 2003 and 2002 (Note 4)		2,085		2,085
Common stock, $.001 par value; 100,000,000 shares authorized; 17,710,383 and 17,585,383 shares issued and outstanding in 2003 and 2002, respectively (Note 4)		17,711		17,586
Stock subscriptions receivable		(2,963)		(2,963)
Additional paid-in capital (Note 4)		20,192,804		20,072,271
Accumulated deficit		(22,743,942)		(22,137,981)
Total stockholders' deficit		(2,534,305)		(2,049,002)
Total liabilities and stockholders' deficit	$	728,008	$	513,482

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

RFP Express Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended June 30, 2003	Six Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002
Revenues	$ 819,912	$ 1,497,057	$ 673,304	$ 1,039,394
Operating Expenses				
Selling, general and administrative expenses	479,721	1,169,589	733,824	1,225,171
Non cash stock-based compensation (Note 4)	91,400	101,067	146,375	202,720
Total Operating Expenses	571,121	1,270,656	880,199	1,427,891
Income (Loss) from Operations	248,791	226,401	(206,896)	(388,498)
Other Income (Expense)				
Loss on disposal of fixed assets	(9,382)	(9,382)	-	-
Gain on issuance of stock for debt	-	-	-	2,310
Interest expense	(16,216)	(12,233)	(10,544)	(15,285)
Other income	-	-	6,532	6,532

Total Other Income (Expense)		(25,598)		(21,615)		(4,012)		(6,443)
Income (Loss) Before Tax		223,193		204,786		(210,908)		(394,941)
Income Tax Provision		–		–		–		–
Net Income (Loss)		223,193		204,786		(210,908)		(394,941)
Net Income (Loss) Per Common Share - Basic (Note 7)	$	0.00	$	0.00	$	(0.01)	$	(0.02)
Net Income (Loss) Per Share - Diluted (Note 7)	$	0.00	$	0.00	$	N/A	$	N/A
Weighted-Average Common Shares - Basic		17,710,383		17,710,383		16,768,563		16,555,237

Weighted-Average Shares - Diluted	71,108,268	71,108,268	N/A	N/A

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

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RFP Express Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(unaudited)

Six Months Ended June 30,		2003		2002
Cash Flows From Operating Activities				
Net Income (Loss)	$	204,786	$	(394,941)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Non-cash equity granted for services and interest		101,067		202,720
Provision for Bad Debt		26,052		-
Depreciation and amortization		28,539		22,835
Net gain on stock issued for debt and services		-		(2,310)
Loss on Disposal of Fixed Assets		9,382		-
Change in operating assets and liabilities				
Accounts receivable		(226,126)		(134,489)
Costs and estimated earnings in excess of billings		-		(57,885)
Prepaid expenses and deposits		(27,873)		-
Accounts payable, accrued payroll and accrued expenses		25,931		103,013
Related party payables		35,614		4,381

Accrued interest	12,233	15,284
Deferred revenue	(447,843)	114,109
Net cash used in operating activities	(258,238)	(127,283)
Cash Flows From Investing Activities		
Proceeds from sale of equipment	1,400	-
Purchases of fixed assets	(2,482)	(46,648)
Net cash used in investing activities	(1,082)	(46,648)
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt and notes payable related party	313,500	243,000
Principal payments on notes payable	(9,000)	(27,748)
Net cash provided by financing activities	304,500	215,252

Net increase in cash		45,180		41,321
Cash at Beginning of Period		3,169		-
Cash at End of Period	$	48,349	$	41,321
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the period for:				
Interest	$	-	$	8,142
Income taxes	$	2,400	$	2,400

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

Notes to Condensed Consolidated Financial Statements

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of RFP Express Inc. and subsidiaries (the "Company") include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, the condensed consolidated financial statements reflect all normal and recurring adjustments which are necessary for a fair presentation of the Company's financial position, results of operations and cash flows as of the dates and for the periods presented. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Consequently, these statements do not include all the disclosures normally required by accounting principles generally accepted in the United States of America for annual financial statements nor those normally made in the Company's Annual Report on Form 10-KSB. Accordingly, reference should be made to the Company's Form 10-KSB filed on October 6, 2003 and other reports the Company filed with the Securities and Exchange Commission for additional disclosures, including a summary of the Company's accounting policies, which have not materially changed.

The consolidated results of operations for the six months ended June 30, 2003 are not necessarily indicative of results that may be expected for the fiscal year ending December 31, 2003 or any future period, and the Company makes no representations related thereto.

The accompanying condensed consolidated financial statements as of June 30, 2003 and 2002 have been prepared assuming the Company will continue as a going concern. However, the Company had a working capital deficit of $2,589,353 as of June 30, 2003. This condition raises substantial doubt about the Company's ability to continue as a going concern. To meet both current and contractual commitments and business growth objectives, the Company will require additional financing and/or cooperation from its creditors. To address its financing needs, management's plan is to continue their relationship with the financing source as discussed in the most recent Annual Report. However, there can be no assurance that additional debt and equity financing needed to fund operations will be consummated or obtained in sufficient amounts necessary to meet the Company's needs.

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the results of operations during the reporting period. Actual results could differ materially from those estimates.

Certain reclassifications have been made to the prior period, condensed consolidated financial statements to conform to the current period presentations. These reclassifications had no effect on reported total assets or net loss.

Sales of the Company's RFP Express[SM] products and services are generally seasonal in nature. Most of the RFP processing transactions and related billable activities occur in the third and fourth quarter. While the Company is pursuing new services, which may reduce the revenue volatility of the Company's business, there can be no assurance when revenues from such services will be realized.

Note 2. Summary of Significant New Accounting Standards

None.

Note 3. Notes Payable -

Notes payable at June 30, 2003 and 2002 consisted of the following:

June 30,		2003		2002
Notes payable to a related party, interest at 10% per annum, due on December 24, 2003. The notes plus accrued interest are convertible into Series C preferred shares at the option of the holder anytime prior to the due date or if in default.	$	243,000	$	243,000
Notes payable to a related party, interest at 10% per annum, due on September 30, 2003. The notes plus accrued interest are convertible into Series C preferred shares at the option of the holder anytime prior to the due date or if in default.		313,500		-

Note payable to a corporation; interest at 8% per annum; due on December 5, 2003. Non-detachable warrants for 500,000 common shares exercisable at $2.72 per share were repriced to $0.05 per share. The warrants expired on August 21, 2003.	314,928	314,928
Note payable to a related party; interest at 8% per annum; $200,000 of balance due on December 5, 2003. The remaining balance was payable in monthly installments of $5,000 beginning on January 15, 2002, with monthly installments increasing to $10,000 starting on July 15, 2002. Non-detachable warrants for 100,000 common shares exercisable at $0.10 per share were issued in connection with the note. The warrants expired on December 5, 2003. (See Notes 5 and 6)	263,629	263,629
Note payable for a settlement with the Company's former CEO to resolve all outstanding Company obligations related to his employment; interest at 4% per annum. 50% of the balance payable on December 1, 2003 and the remaining 50% payable at the rate of $1,500 per month beginning January 15, 2002. (See Notes 5 and 6)	181,556	195,056
Note payable for a settlement with the Company's former CFO to resolve all outstanding Company obligations related to his employment; interest at 4% per annum. 50% of the balance payable on December 1, 2003 and the remaining 50% payable at the rate of $1,500 per month beginning January 15, 2002. (See Notes 5 and 6)	113,668	133,168
Note payable to a limited partnership; interest at 8% per annum; due on December 5, 2003. Non-detachable warrants for 100,000 shares exercisable at $0.10 per share were issued in connection with the note. The warrants expired on December 5, 2003.	75,583	75,583
Note payable to a corporation; interest at 8% per annum; due on December 5, 2003. Non-detachable warrants for	31,493	31,493

65,000 common shares exercisable at $0.10 per share were issued in connection with the note. The warrants expired on December 5, 2003.

Note payable to a related party; interest at 5% per annum; principal and interest are due on February 16, 2004. (See Note 5)		10,000		10,000
Total Notes Payable		1,547,357		1,266,857
Less current portion of notes payable		(637,116)		(42,000)
Less current portion of notes payable related party		(830,129)		-
Long-term portion	$	80,112	$	1,224,857

Future minimum principal payments on notes payable are as follows:

Year Ending June 30,	
2004	1,467,245

2005	36,000
2006	23,084
2007	18,000
2008	3,028
	$ 1,547,357

Note 4. Stockholders' Equity

Preferred Stock

The Series C preferred shares have a liquidation preference equal to the greater of (a) the purchase price for such shares plus an amount equal to 8% of the liquidation preference per annum from the original issue date of such shares or (b) the amount that would be distributed to each common stock holder of the remaining assets of the Company available for distribution to stockholders which would be distributed on a pro rata basis based on the number of shares of common stock held.

Shares of Series C preferred stock are presently convertible into shares of common stock at a 1:20 ratio and subject to anti-dilution adjustment in the event of subsequent issuances of stock by the Company at a price less than the conversion price of the Series C preferred stock, stock splits, stock dividends, recapitalization and similar events.

Pursuant to the terms of the preferred stock, NextGen Capital, LLC (NextGen) has the right to elect a majority of the Board of Directors of the Company.

Common Stock

On February 28, 2002 the Company issued 1,259,840 shares of common stock in partial settlement of deferred compensation to a former executive, Robert Steiner.

On August 6, 2002 the Company issued 125,000 shares of its common stock to former CEO, John Riener. The shares were issued in accordance with the terms of his employment agreement.

Stock Options

During the first six months of 2003 and 2002 the Company granted stock options to purchase 200,000 and 440,000 shares, respectively, of the Company's common stock. These stock options were valued in accordance with Statement of Financial Accounting Standards No. 123 at approximately $1,400 and $17,000 for 2003 and 2002, respectively and will be expensed over their vesting periods.

Compensation expense of $101,067 and $202,720 was recorded in accordance with Statement of Financial Accounting Standards No. 123 for the six months ended June 30, 2003 and 2002, respectively.

During the second quarter of 2003 and 2002 the Company granted stock options to purchase 0 and 70,000 shares, respectively, of the Company's common stock. These stock options were valued in accordance with Statement of Financial Accounting Standards No. 123 at approximately $0 and $4,000 for 2003 and 2002, respectively and will be expensed over their vesting periods.

Compensation expense of $91,400 and $146,375 was recorded in accordance with Statement of Financial Accounting Standards No. 123 for the quarter ended June 30, 2003 and 2002, respectively.

Note 5. Related Parties

The Secretary of the Company is also a partner in the law firm that represents the Company in its legal matters.

Long-term notes payable due to former officers and directors of the Company are included in Note 3.

The Company had previously maintained a management and services agreement with a company that is owned and controlled by stockholders who also have significant ownership of the Company. Notes payable related to the management and service agreement were approximately $273,000 at June 30, 2003 and 2002, respectively. As a result of a settlement agreement there were no interest expenses related to these notes during the periods ended June 30, 2003 and 2002, respectively.

Note 6. Commitments and Contingencies

On December 1, 2000, the Company entered into a settlement agreement with TelNform, Inc. that required the Company to make monthly payments of $5,000 beginning on January 15, 2002. The Company failed to make the required payments, and TelNform has subsequently instituted suit against the Company for the amount of $334,000 to recover the outstanding debt. However, certain officers and significant stockholders of TelNform are also significant stockholders of the Company, and the Company is in continuing settlement discussions with TelNform to resolve this matter.

On December 5, 2000, the Company entered into a settlement agreement and release with each of Paul Silverman and Andrew Kent, both former directors and officers of the Company. These agreements required the Company to make monthly payments of $1,500 to each beginning on January 15, 2002. While the Company failed to make the first two payments in a timely manner and in February 2003 it again fell into arrears, however subsequently the Company caught up on the back payments by August 2003.

Note 7. Computation of Net Loss per Share

Net loss per share is presented on a basic and diluted basis. Basic earnings (loss) per share is computed by dividing the income (loss) available for common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share are computed by giving effect to all dilutive potential shares of common stock that were outstanding during the period. For the Company, dilutive potential shares of common stock consist of incremental shares of common stock issuable upon the exercise of stock options and warrants, convertible preferred stock and convertible notes outstanding to purchase shares of common stock for all periods. Options and warrants that are "out of the money" are not included in the calculation below because they would be anti-dilutive. Because preferred shareholders would share in any dividend distribution, on a pro rata basis, income available for common shareholders is determined by allocating net income between the common shares outstanding and the share that the preferred shareholders are entitled to.

Basic and diluted earnings (loss) per share are calculated as follows for the six months ended June 30, 2003 and 2002 (unaudited):

Six months ended June 30,	2003	2002
Basic:		
Net earnings (loss)	$ 204,786	$ (394,941)
Less dividends allocated to preferred stockholders	(143,748)	0
Net earnings (loss) available to common stockholders	61,038	$ (394,941)
Weighted average common shares outstanding for the period	17,710,383	16,555,237
Net loss per share	$ 0.00	$ (0.01)
Diluted:		
Net earnings (loss)	$ 204,786	$ (394,941)
Fully diluted common shares outstanding for the period	71,108,268	N/A
Net earnings per common share (diluted)	$ 0.00	N/A

Basic and diluted earnings (loss) per share are calculated as follows for the quarter ended June 30, 2003 and 2002 (unaudited):

Three months ended June 30,	2003	2002
Basic:		
Net earnings (loss)	$ 223,193	$ (210,908)
Less dividends allocated to preferred stockholders	(156,669)	0
Net earnings (loss) available to common stockholders	66,524	$ (210,908)
Weighted average common shares outstanding for the period	17,710,383	16,768,563
Net loss per common share	$ 0.00	$ (0.01)
Diluted:		
Net earnings (loss)	$ 223,193	$ (210,908)
Fully diluted common shares outstanding for the period	71,108,268	N/A
Net earnings per common share (diluted)	$ 0.00	N/A

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At June 30, 2003 and 2002, the Company had stock options, warrants, convertible preferred stock and convertible notes outstanding to purchase shares of common stock. These were not included in the computation of diluted earnings per share for 2002 because their inclusion would be anti-dilutive.

Note 8. Tax Provision

Deferred income taxes are provided for temporary differences in recognizing certain income and expense items for financial and tax reporting purposes. Deferred tax assets consist of income tax benefits from net operating loss carry-forwards. A valuation allowance has been recorded to fully offset the deferred tax assets as it is more likely than not that the assets will not be utilized. The valuation allowance decreased approximately $78,000 in the first six months of 2003, from $2,841,000 at December 31, 2002 to $2,763,000 at June 30, 2003.

Note 9. Subsequent Events

In December 2003, when most of the Company's debt matured, the Company defaulted on notes payable of approximately $913,000. The Company is in continuing negotiations to settle the debt. In January of 2004, TelNform instituted suit against the Company for the amount of

$334,000 to recover defaulted debt. Settlement discussions on this matter are currently in progress and while the Company expects a resolution in the near future, no assurances can be offered that the suit will be settled.

Item 2. Management's Discussion and Analysis or Plan of Operation.

Introduction

The following describes certain factors that produced changes in the results of operations of RFP Express Inc. (the "Company") during the quarter and six months ended June 30, 2003 and as compared with the quarter and six months ended June 30, 2002 as indicated in the Company's condensed consolidated financial statements. The following should be read in conjunction with the condensed consolidated financial statements and related notes. Historical results of operations are not necessarily indicative of results for any future period. All material inter-company transactions have been eliminated in the results presented in this Quarterly Report.

Certain matters discussed in this report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), that involve substantial risks and uncertainties. When used in this report, or in the documents incorporated by reference herein, the words "anticipate," "believe," "estimate," "may," "intend," "expect," and similar expressions identify certain of such forward-looking statements. Actual results could differ materially from such forward-looking statements contained herein. These forward-looking statements relate to, among other things, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market and statements regarding the Company's mission and vision. The Company's actual results, performance or achievements may differ significantly from the results, performance, or achievements expressed or implied in these forward-looking statements. See "Forward-Looking Statements." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date thereof.

Overview

The Company was organized to develop and market prepaid wireless products and services in various markets throughout the United States. In late 1998 the Company established a new strategic objective of refocusing the Company's mission to pursue new complimentary Internet-related and e-commerce opportunities. In 1999 the Company actively implemented its new mission by, among other actions, selling a portion of the Company's business no longer considered essential for the new strategy and purchasing IXATA.COM., a company whose business thrust was in line with the new strategy.

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Upon closing the IXATA.COM acquisition, the Company established itself as a provider of internet-based, business-to-business ("B2B") electronic commerce services in the travel market, targeting existing and new corporate clients, hotel and property management groups, and major travel agencies. The Company's principal service, RFP Express^{SM}, integrates a user-friendly, Internet-based interface with a sophisticated data-warehousing system and email technology to deliver automated solutions for creating, sending, receiving and managing the preferred lodging programs request for proposal process in the hospitality services market ("RFP process"). This process typically involves hundreds or, in some cases, thousands of properties worldwide. By automating the users' RFP business process, and also providing user-friendly Internet access to a sophisticated data warehousing system, RFP Express^{SM} provides dramatic cost savings to users. Although the market reaction to the Company's service has been positive, there can be no assurance that the Company will be able to maintain profitability.

Recent Events

In February 2003 the Company filed documents with the Securities and Exchange Commission indicating its intent to "go private" by completing a reverse stock split and delisting the Company's Shares. This transaction remains pending and the Company is actively pursuing several options. The Company has been unable to make its SEC filings on a timely basis, which has caused the Over-the Counter Bulletin Board to delist the Company's stock, which now trades on the Pink Sheets, if at all. In December 2003, when most of the Company's debt matured, the Company defaulted on notes payable of approximately $913,000. See "Liquidity and Capital Resources" below. The Company is in continuing negotiations to settle the defaulted debt, but cannot guaranty that it will be able to do so and does not have adequate sources of cash to pay the outstanding amounts in full.

Results of Operations

The First Six Months of 2003 as Compared to the First Six Months of 2002

Revenues

RFP Express[SM] revenues have traditionally been from two components, subscription revenues recognized over the life of contracts and transaction revenues recognized the month of the transaction activity. During the first six months of 2003 revenues earned increased to $1,497,057, a 44% increase over revenues earned of $1,039,394 for the same period in 2002. This increase is due to a higher volume of subscription revenues for the period. For the first six months of 2003, 97% of revenues earned related to subscriptions and only approximately $40,000 came from transaction revenues. For the first six months of 2002 91% of revenues earned related to subscriptions and approximately $87,000 came from transaction revenues. The decrease in transaction fees occurred because the Company started bundling its transaction fees in with annual subscriptions in 2001. Only when the transaction fees are earned separately from the bundled contract are they recognized as revenue in the month of the transaction. Currently a majority of the Company's transaction fees are recognized over the life of the contract. This has caused more revenue to be deferred, and means that revenue is recognized more evenly throughout the year.

Operating Expenses

Selling, general and administrative expenses (SG&A), exclusive of stock based compensation, were $1,169,589 for the six months ended June 30, 2003, slightly less than $1,225,171 for the six months ended June 30, 2002. As a percentage of revenue, total operating expenses decreased to 85% of revenue in 2003, down from 137% of revenue in 2002. The largest component of SG&A continues to be payroll and related expenses. Payroll and related expenses decreased $214,302 during the first six months of 2003 to $558,928 from $773,230 during the first six months of 2002. This decrease is attributed to restructuring among the Company's management and development staff. Some formerly salaried positions are now being filled by persons working under consulting contracts. The expense for consultants and outside labor increased $127,896 to $252,442 from $124,546 during the first six months of 2003 from the first six months of 2002. Telephone and communications services increased $35,593 to $57,380 from $21,787 during the first six months of 2003 versus the first six months of 2002. The increased telephone costs are related to maintaining the increased bandwidth necessary to accommodate the Six Continents Hotels project and the initial costs of co-locating the Company's servers. Legal and accounting expense decreased $22,850 to $48,269 from $71,119 for the first six months ending June 30, 2003 as compared to the first six months ending June 30, 2002. Insurance costs increased to $49,799 in the first six months of 2003 from $41,297 during the same period in 2002 a difference of $8,502. Trade show and marketing expense increased $30,080 from $10,836 for the six months ending June 30, 2002 compared to $40,916 for the six months ending June 30, 2003. This increase was caused by the Company hosting a client forum in 2003. No such event was held during 2002. The preceding factors combine to account for the majority of the $55,582 decrease in SG&A expense during the first six months of 2003 from the first six months of 2002.

There was no gain or loss on issuance of stock for debt in the first six months of 2003 compared with a gain of $2,310 in the first six months of 2002. Interest expense decreased $3,052 to $12,233 in the first six months of 2003 from $15,285 in the six months of 2002.

The Company recorded net income of $204,786 in the first six months of 2003 compared to a net loss of $394,941 for the same period in 2002. This net improvement of $599,727 in the first six months of 2003 compared to the first six months of 2002 is the result of both increased revenues and decreased operating expenses. This change is attributable to aggressive cost reduction efforts while maintaining sales growth targets.

Income Taxes

Deferred income taxes are provided for temporary differences in recognizing certain income and expense items for financial and tax reporting purposes. Deferred tax assets consist of income tax benefits from net operating loss carry-forwards. A valuation allowance has been recorded to fully offset the deferred tax assets as it is more likely than not that the assets will not be utilized. The valuation allowance decreased approximately $78,000 in the first six months of 2003, from $2,841,000 at December 31, 2002 to $2,763,000 at June 30, 2003.

The Quarter Ended June 30, 2003 as Compared to the Quarter Ended June 30, 2002

Revenues

During the second quarter of 2003 revenues earned were $819,912, a 21.8% increase over revenues earned of $673,304 for the same period in 2002. This increase is due to a higher volume of subscription revenues for the period. For the second quarter of 2003, 97% of revenues earned related to subscriptions and only approximately $24,000 came from transaction revenues. For the second quarter of 2002 98% of revenues earned related to subscriptions and approximately $11,000 came from transaction revenues.

Operating Expenses

Selling, general and administrative expenses (SG&A), exclusive of stock based compensation, were $479,721 for the quarter ended June 30, 2003, $254,103 less than the $733,824 for the quarter ended June 30, 2002. As a percentage of revenue, total SG&A expenses decreased to 70% of revenue in 2003, down from 131% of revenue in 2002. The largest component of SG&A continues to be payroll and related expenses. Payroll and related expenses decreased $222,544 during the quarter ended June 30, 2003 to $226,137 from $448,681 during the quarter ended June 30, 2002. This decrease is attributable to the departure of two executives who were not immediately replaced with similarly compensated employees and to the cessation of severance payments to another former employee. Telephone and internet services increased $21,985 to $32,264 from $10,279 during the second quarter of 2003 versus the second quarter of 2002. The expense for consultants and outside labor increased $4,606 to $110,892 from $106,286 during the second quarter of 2003 from the second quarter of 2002. Legal and accounting expense decreased $33,457 to $8,947 from $42,404 during the quarter ending June 30, 2003 as compared to the quarter ending June 30, 2002. Rent decreased $1,536 to $28,447 from $29,983 during the second quarter of 2003 from the second quarter of 2002. The preceding factors combine to account for the majority of the $254,103 decrease in SG&A expense during the second quarter 2003 from the second quarter 2002.

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Interest expense increased $5,672 to $16,216 in the second quarter of 2003 from $10,544 in the second quarter of 2002 due to interest expense related to working capital advances from NextGen Capital.

The Company recorded net income of $223,193 in the second quarter of 2003 compared to a net loss of $210,908 for the same period in 2002. This net improvement of $434,101 is the result of both increased revenues and decreased operating expenses. This change is attributable to aggressive cost reduction efforts while maintaining sales growth.

Liquidity and Capital Resources

The Company has incurred significant operating and net losses as a result of the development and operation of its products, service platform and supporting networks. The Company expected that such losses would continue as the Company focused on the development and expansion of product offerings and its customer base and cash provided by operations would not be sufficient to fund the expansion. The Company had working capital deficits of approximately $2,589,000 and $996,000 as of June 30, 2003 and 2002, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company did make progress in 2002 and achieved positive cash flows from operations for the year then ended. Due to seasonality, the first six months of the year traditionally has a negative cash flow from operations, however, the Company expects to have positive cash flow from operations for 2003 as well. To address its financing needs, in September 2000, a preliminary agreement for funding was reached with NextGen Capital, a Virginia-based venture capital firm specializing in high technology and internet-related investments. On December 5, 2000, the Company closed a funding with NextGen and other private investors, issuing shares of its newly authorized Series C preferred stock and warrants to purchase shares of preferred stock. In connection with the financing, NextGen agreed to make additional investments upon the achievement of certain milestones by the Company. The Company's relationship with NextGen continued through 2001 as the Company met the required funding milestones during the year. As of December 31, 2001, the Company had issued 2,085,461 shares of its preferred stock and warrants to purchase an additional 1,960,000 shares of preferred stock to NextGen and other private investors for a total of $2,300,000. NextGen has committed to continue funding the growth of the Company and its product development, and will provide support in the form of loans to the Company. Loans totaling $243,000 were advanced to the Company during 2002. On August 15, 2002 the Company issued NextGen notes representing these advances and bearing interest at 10% per annum. These notes are convertible by NextGen at any time into Series C preferred at $1.00 per share. An additional $313,500 had been advanced to the Company as of June 30, 2003. There is no guarantee that NextGen will be able to provide additional funding as needed, however, the Company is currently operating from its own cash flows, although it is unable to meet its debt obligations from cash from operations.

As of June 30, 2003, the Company had cash and cash equivalents of $48,349 as compared to $41,321 as of June 30, 2002. This increase is attributable to improved collections of accounts receivable and increased sales during the period. The Company had accounts receivable totaling $479,044 at June 30, 2003 as compared with $242,197 at June 30, 2002. The increase in accounts receivable is attributable to improved sales during the second quarter of 2003. Net cash used by operating activities was $253,210 for the six months ended June 30, 2003 compared to $127,283 used during the same period in 2002. Net cash used by investing activities for the six months ending June 30, 2003 was $6,110 as compared with $46,648 used by investing activities for the six months ending June 30, 2002. Net cash provided by financing activities for the first six months of 2003 totaled $304,500 compared to $215,252 provided during the first six months of 2002. Cash infusions from NextGen ceased in April 2003, as the Company was able to provide cash for its operations through increased sales and decreased operating expenses.

Seasonality

Sales of the Company's RFP Express^{SM} products and services are generally seasonal in nature. Most of the RFP processing transactions and related billable activities occur in the third and fourth quarter. While the Company is pursuing new services, which may reduce the revenue volatility of the Company's business, there can be no assurance when revenues from such services will be realized.

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Summary of Significant Accounting Policies

Our condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The Company recognizes revenue from transaction fees, sales of subscriptions, and fixed price contracts. Transaction revenues are recognized, net of an allowance for uncollectible amounts, when substantially all significant services to be provided by the Company have been performed. Subscription revenues are recognized over the period of the subscription. An allowance has been provided for uncollectible accounts based on management's evaluation of the accounts and the customer's payment history. Transaction revenues pertain to a transaction where services have been rendered and the price is fixed and/or determinable. Transactions bundled with sales subscriptions involve services for the contract period and, therefore, have to be recognized over the period of the contract/subscription.

In October 1995, the FASB Issued SFAS No. 123, "Accounting for Stock-Based Compensation." The Company adopted SFAS 123 in 1997. The Company values its stock and stock options at fair value in accordance with SFAS No. 123, which states that all transactions in which goods or services are received for the issuance of equity instruments shall be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

A full disclosure of our accounting policies may be found in our 2002 Form 10-KSB, filed on October 6, 2003, in Note 2 of Notes to Consolidated Financial Statements.

Forward-Looking Statements

Statements that are not historical facts, including statements about the Company's confidence in its prospects and strategies and its expectations about expansion into new markets, growth in existing markets, and the Company's ability to attract new sources of financing, are forward-looking statements that involve risks and uncertainties. These risks and uncertainties include, but are not limited to:

* The Company has a short operating history upon which to base an investment decision.

* The Company has defaulted on a significant amount of its debt and does not have sufficient cash to make all required payments.

* The Company is actively pursuing avenues in which to remove the Company from public ownership by "going private". The particulars of this transaction have yet to be decided, nor has any time frame been established in which to complete the process.

* The Company's common stock has been delisted from the Nasdaq Over-the-Counter Bulletin Board Service because the Company failed to make required filings with the Securities and Exchange Commission.

* The Company will require additional capital, which it may not be able to obtain.

* The continued losses and negative working capital raise substantial doubt about the Company's ability to continue as a going concern.

* The Company's failure to protect or maintain its intellectual property rights could place it at a competitive disadvantage and result in loss of revenue and higher expenses.

* If the Company's market does not grow as expected, its revenues will be below its expectations and its business and financial results will suffer.

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* Any failure of the Company's Internet and e-commerce infrastructure could lead to significant costs and disruptions which could reduce revenues and harm business and financial results.

* The Company could lose customers and expose itself to liability if breaches of its network security disrupt service to its customers or jeopardize the security of confidential information stored in its computer systems.

* Rapid growth in the Company's business could strain its resources and harm its business and financial results.

* The Company may not be able to compete in its highly competitive market.

* The Company depends on the services of senior management and other key personnel and the ability to hire, train and retain skilled employees.

* Risks associated with operating in international markets could restrict the Company's ability to expand globally and harm its business and prospects.

* Government regulation and legal uncertainties could limit the Company's business or slow its growth.

* The Company's operating results may fluctuate in future periods which may cause volatility or a decline in the price of its common stock.

* The Company's executive officers, directors, and parties related to them, in the aggregate, control 83% of the Company's voting Stock and may have the ability to control matters requiring stockholder approval.

* The Company's business partially depends on the free flow of services through the channels of commerce, which have been and could be further disrupted by terrorists' activities.

These and other risks described in the Company's most recent Annual Report must be considered by any investor or potential investor in the Company.

Item 3. Controls and Procedures.

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO/CFO and the Controller, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO/CFO and the Controller, concluded that the Company's disclosure controls and procedures were effective in timely alerting them to material information required to be included in the Company's periodic filings under the Exchange Act of 1934. No significant changes in the Company's internal controls or in other factors have occurred that could significantly affect these internal controls subsequent to the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II - Other Information

Item 1. Legal Proceedings.

In the ordinary course of business, we are from time to time subject to various legal proceedings. We do not believe that any current legal proceedings, individually or in the aggregate, will have a material adverse effect on our operations or financial condition. In January of 2004, TelNform instituted suit against the Company for the amount of $334,000 to recover defaulted debt. Settlement discussions on this matter are currently in progress and the Company expects a resolution in the near future.

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Item 2. Changes in Securities and Small Business Issuer's Purchases of Equity Securities.

None.

Item 3. Defaults Upon Senior Securities.

The Company defaulted in payment of three of its debts during the six months ended June 30, 2003.

On December 1, 2000 the Company entered into a settlement agreement with TelNform, Inc. that required the Company to make monthly payments of $5,000 beginning on January 15, 2002 (See Notes 3 and 6 of the Notes to the Company's Condensed Consolidated Financial Statements). The total principal amount of the payments is $120,000. The Company failed to make the required payments subsequent to December 31, 2001; however, certain officers and significant stockholders of TelNform are also significant stockholders of the Company, and the Company is in continuing settlement discussions with TelNform. However, there can be no assurances that the Company will be able to settle the matter. See Item 1. Legal Proceedings.

On December 5, 2000, the Company entered into a settlement agreement and release with each of Paul Silverman and Andrew Kent, both former directors and officers of the Company. These agreements required the Company to make monthly payments of $1,500 to each beginning on January 15, 2002 (See Notes 3 and 6 of the Notes to the Company's Condensed Consolidated Financial Statements). One payment of three was made to each during the first quarter of 2003. Two payments of three were made to each in the second quarter of 2003. Subsequently, the Company has paid all amounts in arrears and met the monthly payment schedule for both agreements. A revised settlement agreement has subsequently been reached with Paul Silverman.

Subsequently in December 2003, when most of the Company's debt matured, the Company defaulted on notes payable of approximately $913,000. The Company is in continuing negotiations to settle the debt.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of the Company's security holders in the second quarter of 2003.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

31.1 Rule 13a-14(a) Certification by CEO/CFO

31.2 Rule 13a-14(a) Certification by Controller

32.1 Section 1350 Certification by CEO/CFO

32.2 Section 1350 Certification by Controller

(b) Reports on Form 8-K

None.

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SIGNATURES

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

RFP Express Inc.

/s/ Zimri Putney

Date: February 11, 2004

By Zimri Putney, Chief Executive Officer
and Chief Financial Officer

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Zimri C. Putney, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of RFP Express Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 11, 2004

By: /s/ Zimri C. Putney
Zimri C. Putney, Chief Executive Officer and
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William Cubberley, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of RFP Express Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 11, 2004

By: /s/ William Cubberley
William Cubberley, Controller

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER)

In connection with the Quarterly Report of RFP Express, Inc. (the "Company") on Form 10-QSB for the period ended June 30, 2003 (the "Report"), I, Zimri C. Putney, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m and 78(d); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 11, 2004

By: /s/ Zimri C. Putney
Zimri C. Putney, Chief Executive Officer
and Chief Financial Officer

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

In connection with the Quarterly Report of RFP Express, Inc. (the "Company") on Form 10-QSB for the period ended June 30, 2003 (the "Report"), I, William Cubberley, Controller of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m and 78(d); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 11, 2004

By: /s/ William Cubberley
William Cubberley, Controller