

SPEEDCOM WIRELESS CORP
Form 10KSB40/A
December 11, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A/2

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2000

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-21061

SPEEDCOM WIRELESS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 58-2044990
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

7020 PROFESSIONAL PARKWAY EAST
SARASOTA, FL 34240
(941) 907-2300
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

Securities registered under Section 12(g) of the Exchange Act: Common Stock,
\$.001 par value, Class A Warrants and Class B Warrants

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports) Yes No, and (2) has been subject to such
filing requirements for the past 90 days Yes No .

Check if there is no disclosure of delinquent filers in response to Item 405 of
Regulation S-B not contained in this form, and no disclosure will be contained,
to the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-KSB or any
amendment to this Form 10-KSB. X

Revenues for the most recent fiscal year: \$10,662,478.

State the aggregate market value of the voting and non-voting common equity held
by non-affiliates computed by reference to the price at which the common equity
was sold, or the average bid and asked price of such common equity, as of a
specified date within the past 60 days: \$21,395,192 as of March 16, 2001.

Indicate the number of shares outstanding of each of the issuer's classes of
common stock as of the last practicable date: March 16, 2001 - 9,324,523 common
shares, \$.001 par value.

The following documents are incorporated by reference: The Proxy Statement for

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

the 2001 Annual Meeting of Shareholders for Part III Item 10, Item 11 and Item 12 of this Form 10-KSB.

Transitional small business disclosure format (check one): Yes No

PART I

Item 1. Description of Business

Company Overview

The predecessor to SPEEDCOM Wireless Corporation (Old SPEEDCOM) was incorporated in Florida in 1994. Old SPEEDCOM initially served as a reseller of computer equipment and wireless communications equipment. In 1997, Old SPEEDCOM changed its name to SPEEDCOM Wireless International Corporation and started selling its own branded products. On September 26, 2000 Old SPEEDCOM merged into LTI Holdings, Inc. (LTI), a public "shell" company incorporated in Delaware and became SPEEDCOM Wireless Corporation (SPEEDCOM or the Company). SPEEDCOM has two divisions, Wave Wireless Networking (www.wavewireless.com) and InstallGuys (www.installguys.com). Except as specifically noted to the contrary, the information herein that predates the merger relates to Old SPEEDCOM, and all references to SPEEDCOM or the Company refer to Old SPEEDCOM before the merger and the combined company after the merger.

The Company's wireless products and services are designed to meet the "backbone" and "last-mile" needs of two distinct markets, the service provider market and the enterprise market. The former is comprised of various Internet service providers and telecommunications carriers, which provide fixed wireless broadband Internet connectivity to business and residential customers. The latter includes corporations, schools and universities, governments and the military, which need wireless campus-wide private data networks. In both cases, the Company's wireless broadband solutions provide the user with lower cost of ownership and significantly reduced installation time compared to alternative wired solutions.

The Company's product division, Wave Wireless Networking, offers high-performance, reliable wireless bridge/routers. Its products range from 11 Megabits per second to 155 Megabits per second in speed and are offered in various point-to-point and point-to-multipoint configurations. The Company's service division, InstallGuys, provides a complete menu of wireless turnkey services ranging from site surveys and installation plans, to maintenance and/or management of a customer's wireless broadband network.

SPEEDCOM sells its wireless broadband products in domestic and international markets through both an indirect channel of distributors, resellers and Original Equipment Manufacturers (OEM's), and a direct sales force. The Company sells its products in over 60 countries, with international sales making up approximately 45% of SPEEDCOM's total year 2000 revenue (Latin America 26%, Africa 9%, Asia 4%, Europe 3%, Other 3%).

Industry Overview

The fixed wireless broadband market is at an early stage of development and is rapidly evolving. The outdoor fixed wireless broadband market is made up of two distinct segments; the enterprise

market, which is comprised of corporations, schools and universities, the military, and other similar private customers who use SPEEDCOM products and

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

services to establish site-wide wireless networks; and the larger and faster growing segment of the two, the service provider market. This segment is made up of Internet service providers and telecommunication carriers. These companies use SPEEDCOM's products to establish high performance "backbone" and/or "last-mile" links that deliver high-speed Internet, voice, video, and data to their business and residential customers.

Broadband wireless equipment sales are forecasted to grow from \$0.2 billion in 2000 to \$4.1 billion by 2003 (Pioneer Consulting, LLC, 2000). The outsourcing of engineering, installation, maintenance, and management of broadband wireless networks is expected to grow from \$900 million in 2001 to \$3.8 billion in 2003.

Most wireless networks use radio frequency (RF) to provide alternative network access for both data and voice applications. Radio frequency based wireless broadband networks are designed to run on radio frequencies that do not require a license (e.g. 2.4 Gigahertz and 5.7 Gigahertz), called "public bands", as well as frequencies that require the carrier to own a license (e.g. Multi-Channel Multipoint Distribution System (MMDS) and 3.5 Gigahertz). In the public band, the industry has adopted a specification that defines standards and attempts to create compatibility among vendors, which is called the IEEE 802.11b specification. However, this standard, which is more appropriate for indoor wireless connectivity than outdoor, sacrifices speed and cost for compatibility and mobility. The Company offers products that meet the IEEE (Institute of Electrical and Electronics Engineers) 802.11b specification, but because speed, range, and cost are most often more important to the users of fixed wireless equipment, the Company also offers a suite of products that do not strictly adhere to IEEE 802.11b and instead use slightly modified specifications that are more suitable for outdoor wireless connectivity.

Also in the public band, consumers can choose between two radio frequency technologies known as Direct Sequence Spread Spectrum (DSSS) and Frequency Hopping Spread Spectrum (FHSS). SPEEDCOM uses DSSS, which allows for greater data throughput, longer range and less interference.

Although there are many standards and frequencies that companies can adhere to or utilize, SPEEDCOM's next-generation products aim to be flexible enough to address the needs of both the licensed and unlicensed bands as well as the various types of transmission methods.

The market for the Company's products is very competitive, and it is expected that competition will increase in the future, both with respect to current products and future products, which SPEEDCOM may develop. Within the wireless industry, business is intensely competitive and is characterized by rapid technological change, frequent introduction of new products and evolving industry standards. Management believes that the principal competitive factors in the fixed wireless broadband market include:

- . expertise and familiarity with 2.4 Gigahertz spread spectrum technology, wireless data communication protocols and broadband technology;

3

- . product performance, features, functionality and reliability;
- . price/performance characteristics;
- . timeliness of new product introductions;
- . adoption of emerging industry standards;
- . customer service and support;
- . size and scope of distribution network; and
- . brand name.

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

Within the fixed wireless broadband industry, the primary competitors are Agere Systems, Aironet (part of Cisco Systems) and BreezeCom. The Company also experiences competition from a number of smaller companies that provide wireless data communication products. The Company also competes with offerings from local telephone companies and public telephone and telegraph operators around the world. These offerings typically consist of a data connection a customer leases from the local telephone operator, typically as part of a multi-year contract for services. The Company's products offer several advantages over telephone company based offerings: competitive performance, no recurring monthly payments, and return-on-investment often in less than 6 months. Because some telephone company based offerings can be used at distances greater than SPEEDCOM's products, the two types of solutions may also act as a complimentary solution for a customer. While some telephone company offerings have the advantage of being able to connect buildings at distances greater than can be done using wireless products, the two types of connections are not mutually exclusive and can be used in combination to connect remote buildings.

The SPEEDCOM Solution

SPEEDCOM's wireless point-to-point and point-to-multipoint bridge and router products provide fixed wireless networking, primarily outdoors between buildings. SPEEDCOM's products can reduce the overall cost of network connectivity through reduced installation and infrastructure costs. SPEEDCOM's products also facilitate rapid deployment, temporary networks and semi-fixed connectivity to the indoor and outdoor environments. SPEEDCOM distinguishes itself from its competitors by bundling a variety of components into a comprehensive package and offering its customers not only the package, but full service as well.

Business Strategy

SPEEDCOM's strategy is to continue providing a complete line of wireless broadband products and services to sell to Internet service providers and private data network users. SPEEDCOM intends to accomplish this primarily through its existing product line and the internal development of new products and services. SPEEDCOM also intends to promote the wider use of its products by establishing strategic relationships with partners who can reach additional segments of the market. SPEEDCOM may seek to acquire one or more companies which complement SPEEDCOM's product offerings in order to facilitate the Company's growth.

In January 2001, SPEEDCOM acquired worldwide rights for six years to PacketHop(TM), a wireless routing software developed by SRI International (SRI). PacketHop(TM) overcomes the

traditional need for a direct line of sight between a base station and an end user's location. PacketHop(TM) allows a wireless system to find the closest connection, bounce the signal from location to location and remember the path. As a result, PacketHop(TM) enabled wireless networks will be able to reach a significantly higher percentage of an Internet service provider's potential customers than a normal fixed wireless network. SPEEDCOM does not believe that any other company currently has technology equivalent to PacketHop(TM). Under the terms of the agreement, SPEEDCOM obtains rights for six years to SRI's PacketHop(TM) technology in the fixed wireless infrastructure market for the primary frequencies, including 2.4 Gigahertz, MMDS, 3.5 Gigahertz and 5.7 Gigahertz. SRI International has become a shareholder of SPEEDCOM with a seat on SPEEDCOM's technical advisory board. SRI is entitled to receive a total of 325,000 shares of common stock of SPEEDCOM to be issued in four tranches. Each tranche is issuable on specific dates based on the achievement of certain

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

performance goals. SPEEDCOM has also paid \$210,000 in cash to SRI.

The Company's research and development expenses during the fiscal year ending December 31, 2000 and 1999 were \$51,253 and \$0, respectively. Budgeted research and development expenses for the fiscal year ending December 31, 2001 are \$402,000.

Products/Services

SPEEDCOM offers a complete line of wireless broadband equipment. SPEEDCOM's high performance wireless bridge/router systems connect existing enterprise local area networks (LANs) for point-to-point and point-to-multi-point, campus area, or metropolitan area networks. Within the current product line, The Company offers eight low-end products, which can communicate at 11 Megabits per second at distances up to 25 miles, and one high-end product, which can communicate at 155 Megabits per second at distances up to 10 miles. Because the performance and distance a particular product is capable of reaching varies depending on the end-users network configuration, these values may vary from application to application. SPEEDCOM derives additional revenue from wireless equipment installation and field support services, which are contracted with its resellers and directly with end-users. These services include radio frequency site survey and path analysis, equipment installation and on site trouble shooting of problems during operation of the equipment.

SPEEDCOM is developing additional products with smaller size, greater functionality and greater ease of use for new markets. Currently, SPEEDCOM is developing a next generation of fixed wireless broadband products, which are to be based on the emerging 802.11a standard, operating in the 5.7 Gigahertz band. The new products will deliver throughput at rates up to 54 Megabits per second, nearly five times as fast as today's products. SPEEDCOM will utilize its own proprietary board design and software, including the PacketHop(TM) software licensed from SRI, utilizing many off the shelf radio components from one of several manufacturers of 54 Megabits per second chips (currently being developed). SPEEDCOM anticipates that these next generation products will be available in late-2001 and will position the Company to obtain a growing share of the rapidly expanding fixed wireless market. The Company is also in discussions with prospective partners to deploy the Company's products in the licensed MMDS and 3.5 Gigahertz frequency bands.

5

Operations

SPEEDCOM's manufacturing operations consist primarily of final assembly and testing at its manufacturing facility in Sarasota, Florida. The Company purchases, under contract manufacturing relationships, all of the circuit boards, integrated circuits and other components used in its products from third party suppliers.

All products are manufactured under a quality assurance system, which has been recognized as meeting the requirements of ISO-9001. ISO-9001 stands for "International Standardization Organization" with 9001 indicating an organization with design and development capabilities as well as manufacturing, sales and service. An impartial third party auditor, The National Standards Authority of Ireland (NSAI), reviews the quality system twice per calendar year to ensure compliance and continuous improvement of the system. Each company, by its own choosing, incorporates various processes and procedures in order to effectively manage its operations and related functions. The International Standards Organization has defined a series of standards by which the procedures and processes a company utilizes to manage its operations can be measured. The standard indicates a logical progression of processes a business should

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

consider, evaluate and improve upon in order that the business may operate effectively. The internationally recognized accreditation is designed to provide potential customers an insight to the effectiveness of its business operations and instill in its customers confidence in SPEEDCOM's ability to provide quality products and services consistently. Furthermore, the accreditation enhances SPEEDCOM's ability to market its products and services internationally by validating this commitment. The National Standards Authority of Ireland is one of many organizations, accredited by the ISO governing body, to perform third party evaluations to determine compliance with the ISO standard.

SPEEDCOM was first certified in November 1998; the Company has since passed surveillance audits every 6 months, including one in November 2000.

Suppliers

Many of the key hardware and software components necessary for the assembly of the Company's products are only available from a single supplier or from a limited number of suppliers. The Company has experienced delays and shortages in the supply of components in the past and could experience delays and shortages in the future. The Company generally does not maintain a significant inventory of components and does not have long-term supply contracts with its suppliers.

Government Regulation

The Company is subject to various FCC rules and regulations in the United States. Current FCC regulations permit license-free operation in certain FCC-certified bands in the radio spectrum.

6

The Company's spread spectrum wireless products are intended for unlicensed operation primarily in the 2.4-2.4835 Gigahertz frequency bands. Operation in these frequency bands is governed by rules set forth in Part 15 of the FCC regulations. The Part 15 rules are designed to minimize the probability of interference to other users of the spectrum and, thus, accord Part 15 systems secondary status. In the event that there is interference between a primary user and a Part 15 user, a higher priority user can require the Part 15 user to curtail transmissions that create interference. The FCC, however, has established standards which create an irrefutable presumption of noninterference for Part 15 users and the Company believes that its products comply with these requirements. The Company's products also will be subject to regulatory requirements in international markets and, therefore, the Company will need to monitor the development of spread spectrum regulations in certain countries that represent potential markets for its products. Some countries require safety and electromagnetic compatibility testing in order for SPEEDCOM to sell its products.

Sales and Marketing

Sales are generated through two primary means: direct sales to our end customers and a well-developed VAR (value added resellers)/reseller channel who sell and service SPEEDCOM's products to a local or regional customer base.

SPEEDCOM currently has over 19 in-house salespeople who sell to certain end users (primarily Internet service providers and larger private data network clients). The sales force is also responsible for maintaining the value added reseller/reseller channel. SPEEDCOM currently has over 200 active value added resellers, resellers and other dealers.

Indirect sales (i.e. sales to dealers/value added resellers) have historically been the Company's main source of revenue. SPEEDCOM will continue to support

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

this business channel, expanding both domestically and internationally. Telemarketing, supported by sales engineers for design services, provides the primary sales engines, augmented, in part, by a direct sales team to reach large corporate and institutional accounts as well as telecommunication carriers and Internet service providers.

Another existing sales channel is catalog sales. Private branding is expected to eliminate conflicts with the Company's other sales channels.

Customers

Although SPEEDCOM serves a large and varied group of customers, approximately 15% of SPEEDCOM's revenues for the year ended December 31, 2000 were derived from one customer (IFX/Communications Ventures). The loss of, or a significant curtailment of purchases by this customer, or other significant customers of the Company, could have a material adverse effect on the Company's business, financial condition and results of operations. No single customer accounted for 10% or more of SPEEDCOM's revenues for the year ended December 31, 1999.

7

Employees

SPEEDCOM currently has approximately 100 full time employees. None of SPEEDCOM's employees are represented by a labor union and SPEEDCOM believes that its relations with its employees are good.

Item 2. Description of Property

SPEEDCOM currently leases approximately 16,480 square feet of office and light industrial space in Sarasota, Florida and has also leased offices in Miami, Dallas, San Diego, Calgary, Sao Paulo, Mexico City, Singapore and Shanghai. To address long-term capacity issues, SPEEDCOM has signed a 15 year lease for a to-be-constructed 40,000 square foot facility in Sarasota, Florida, which will include 8,000 square feet of manufacturing capacity. SPEEDCOM anticipates it will begin using the new facility during the fourth quarter of 2001. SPEEDCOM's rent for the first twelve months of the lease, including maintenance, will be approximately \$57,000 per month for the new facility.

Item 5. Market for Common Equity and Related Stockholder Matters

Common Stock Information

The following table sets forth the quarterly high and low per share closing sales price of the Company's common stock for the periods shown, as quoted on the OTC Bulletin Board. (The Company was listed on the NASDAQ SmallCap Market in February 2001). Information before September 26, 2000, the date of the merger with LTI, is for LTI's common stock. The quotations represent stock prices between dealers and do not include retail mark-up, mark-down or commission and may not represent actual transactions.

Per share trading price range:

| | | |
|----------------|---------|--------|
| 2000 | High | Low |
| First Quarter | \$ 3.59 | \$2.13 |
| Second Quarter | \$11.72 | \$3.20 |
| Third Quarter | \$22.90 | \$9.32 |
| Fourth Quarter | \$10.25 | \$3.81 |
| 1999 | High | Low |
| First Quarter | \$1.33 | \$0.80 |

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

| | | |
|----------------|--------|--------|
| Second Quarter | \$2.40 | \$1.00 |
| Third Quarter | \$2.40 | \$1.73 |
| Fourth Quarter | \$2.20 | \$1.60 |

Dividends have not been declared or paid during any periods presented.

8

As of March 16, 2001, there were 1,120 shareholders.

Recent Sales of Unregistered Securities

During the year ended December 31, 2000, the Company sold the following securities which were not registered under the Securities Act. The purchases and sales were exempt pursuant to Section 4(2) of the Securities Act (and/or Regulation D promulgated thereunder) as transactions by an issuer not involving a public offering, where the purchasers represented their intention to acquire the securities for investment only, not with a view to distribution, and received or had access to adequate information about the registrant.

1. 1,239,934 shares of common stock (105,441 on 1/19/00, 117,476 on 1/27/00, 180,223 on 2/9/00, 57,307 on 2/23/00, 28,653 on 3/1/00, 4,584 on 3/9/00, 229,220 on 4/6/00, 656 on 6/2/00, 131,994 on 7/27/00, 136,383 on 8/23/00, 164,997 on 9/6/00 and 83,000 on 12/12/00) warrants to purchase 84,238 shares of common stock (exercise price \$8.72 per share) (7/27/00) and warrants to purchase 114,610 shares of common stock (exercise price \$6.54 per share) (7/27/00) were issued for a total of \$5,162,023 cash to 72 investors, 47 of which were accredited investors and 25 of which were not accredited investors.
2. 28,653 shares of common stock to our board member, R. Craig Roos, an accredited investor, in exchange for \$95,000, a 6% promissory note and two months of consulting services (6/2/00).
3. 154,943 shares of common stock to 10 investors (573 on 1/19/00, 24,641 on 2/23/00, 5,731 on 7/27/00 and 123,998 on 9/6/00), all of which are accredited investors, for finder's fees and costs in connection with our merger with LTI.
4. 148,000 shares of common stock issued to Del Mar Consulting Group, an accredited investor, for services rendered in connection with the merger with LTI and for investor relations services (9/1/00).
5. 25,000 shares of common stock issued to H.C. Wainwright, an investment banker and accredited investor, and three of its principals, as a retainer for services to be rendered through April 2001 in connection with raising capital for the Company (11/14/00).
6. A \$250,000 promissory note to Mr. Sanguinetti our former president and an accredited investor, together with 25,000 warrants for the purchase of common stock (exercise price \$3.60 per share) (12/6/00).
7. A \$252,000 promissory note payable in cash or 70,000 shares of common stock, at the holder's option, to an accredited investor (12/10/00).
8. A \$200,000 promissory note payable in cash or 50,000 shares of common stock, at the holder's option, to an accredited investor (12/18/00).
9. A \$10,800 promissory note payable in cash or 3000 shares of common stock, at the holder's option, to an accredited investor (12/10/00).

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

10. A \$40,000 subordinated promissory note convertible into 10,000 shares of common stock, to an accredited investor (1/14/00).

In addition, during the year ended December 31, 2000, two employees of the Company purchased 18,172 shares of common stock pursuant to the exercise of stock options at \$2.62 per share. These purchases and sales were exempt pursuant to Rule 701 promulgated under the Securities Act.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion in this document contains trend analysis and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended that involve risks and uncertainties, such as statements concerning growth and future operating results; developments in markets and strategic focus; new products and services and product technologies and future economic, business and regulatory conditions. Such forward-looking statements are generally accompanied by the words

9

such as "plan", "estimate", "expect", "believe", "should", "would", "could", "anticipate", "may" and other words that convey uncertainty of future events or outcomes. These forward-looking statements and other statements made elsewhere in this report are made in reliance on the Private Securities Litigation Reform Act of 1995. The section below entitled "Certain Factors That May Affect Future Results, Financial Condition and Market Price of Securities" sets forth material factors that could cause actual results to differ materially from these statements.

Overview

SPEEDCOM is a multi-national company based in Sarasota, Florida. The Company employs approximately 100 people. Through its Wave Wireless Networking division, SPEEDCOM manufactures a variety of broadband wireless products, including its Speedlan family of wireless ethernet bridges and routers. Through its InstallGuys division, SPEEDCOM provides wireless installations and services. Internet service providers, telephone company operators and private organizations in more than 60 countries use SPEEDCOM products to provide "last-mile" wireless connectivity between multiple buildings at speeds up to 155 Megabits per second and distances of more than 25 miles.

Results of Operations

The following table sets forth the percentage of net revenues represented by certain items in the Company's Statements of Operations for the periods indicated.

| | Fiscal Year Ended December 31, | |
|-------------------------------|--------------------------------|------|
| | 2000 | 1999 |
| Net revenues | 100% | 100% |
| Operating costs and expenses: | | |
| Cost of goods and services | 54% | 61% |
| Salaries and related | 34% | 32% |

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

| | | |
|-------------------------------|-------|-------|
| General and administrative | 18% | 11% |
| Selling expenses | 13% | 8% |
| Provision for bad debt | 2% | 1% |
| Depreciation and amortization | 2% | 1% |
| | ----- | ----- |
| | 123% | 114% |
| | ----- | ----- |
| Loss from operations | (23)% | (14)% |
| Other income (expense): | | |
| Interest expense, net | 0% | (2)% |
| Other (expense) income, net | (1)% | 0% |
| | ----- | ----- |
| | (1)% | (2)% |
| | ----- | ----- |
| Net loss | (24)% | (16)% |
| | ===== | ===== |

10

Fiscal 2000 Compared to Fiscal 1999

Net revenues increased 114% from approximately \$4,978,000 in the year ended December 31, 1999 to approximately \$10,662,000 in the year ended December 31, 2000. This increase was due to SPEEDCOM executing its business plan of expanding the business in a growing market for broadband wireless in 2000 coupled with SPEEDCOM's poor performance in the 1999 fiscal year due to its operating in a capital constrained position. Capital constraints in 1999 prevented SPEEDCOM from purchasing inventory timely, funding research and development, and promoting and selling the Company's products and limited necessary fixed asset purchases. Cost of goods and services increased 91% from approximately \$3,025,000 for the year ended December 31, 1999 to approximately \$5,784,000 for the year ended December 31, 2000, due primarily to increases in the Company's revenues. Revenues from customers in foreign geographic areas increased to 45% of revenues for the year ended December 31, 2000 as compared to 23% of revenues the year ended December 31, 1999. The percentage of sales that are from international customers is expected to increase slightly or remain stable in the year ended December 31, 2001.

Salaries and related, general and administrative and selling expenses increased by 175% from approximately \$2,524,000 for the 1999 year to approximately \$6,935,000 for the 2000 year. This increase was primarily due to an increase in employee headcount which increased salaries and related expenses approximately \$2,018,000, spending on investor relations in connection with the merger of \$200,000, increased spending on marketing and promotion, such as attendance at industry trade shows, of approximately \$102,000, coupled with an unusually low expense level during 1999 due to the Company operating in a capital constrained position. Additionally, SPEEDCOM incurred higher professional fees of approximately \$395,000 due to the requirement for two years of financial statement audits for Old SPEEDCOM during 2000 but did not incur any such expense for an audit in 1999 and significant non-recurring costs in 2000 associated with the Company's merger with LTI and application to the Nasdaq Small Cap Market.

Net interest expense decreased by approximately 66%, from approximately \$108,000 for the year ended December 31, 1999 to approximately \$36,000 for the year ended December 31, 2000. This decrease was due to the elimination in borrowings under SPEEDCOM's factoring line as a result of an infusion of equity in 2000 and continued paydown of SPEEDCOM's inventory-based loan facility.

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

Net loss increased 226% from approximately \$791,000, or \$.11 per share, in 1999 to approximately \$2,578,000, or \$.31 per share, in 2000, as a result of the foregoing factors.

Taxes

11

At December 31, 2000, SPEEDCOM had net operating loss carryforwards (NOLs) for federal income tax purposes of approximately \$4,400,000. The NOLs expire at various dates through the year 2020.

Quarterly Results

The following table sets forth certain quarterly financial data for the periods indicated.

| | March | Three Months Ended | |
|-------------------------------------|--------------|--------------------|-------------|
| | | June | September |
| | | | |
| Fiscal 2000 | | | |
| Net revenues | \$ 1,846,599 | \$ 2,154,383 | \$ 3,182,67 |
| Loss from operations | \$ (179,922) | \$ (504,048) | \$ (596,66 |
| Net loss | \$ (178,176) | \$ (500,524) | \$ (598,88 |
| Net loss per common share | \$ (0.02) | \$ (0.06) | \$ (0.0 |
| Weighted average shares outstanding | 7,662,726 | 7,977,218 | 8,213,55 |
| Fiscal 1999 | | | |
| Net revenues | \$ 1,037,608 | \$ 974,217 | \$ 1,726,78 |
| (Loss) income from operations | \$ (161,527) | \$ (141,549) | \$ 149,25 |
| Net (loss) income | \$ (175,718) | \$ (168,926) | \$ 129,20 |
| Net loss per common share | \$ (0.03) | \$ (0.02) | \$ 0.0 |
| Weighted average shares outstanding | 6,982,692 | 6,982,713 | 7,058,16 |

Liquidity and Capital Resources

During the year ended December 31, 2000, SPEEDCOM used approximately \$4,340,000 of cash for its operating activities. This was primarily due to increases in accounts receivable (due to increases in sales) and its net loss for the period. SPEEDCOM purchased approximately \$923,000 of fixed assets during the year ending December 31, 2000 as compared to approximately \$75,000 during the same period in 1999, an 1138% increase. To fund this growth in assets and sales, SPEEDCOM raised approximately \$5,422,000 through the issuance of common stock and warrants, through private investments and the reverse merger with LTI. As of December 31, 2000, SPEEDCOM had cash of approximately \$227,000.

During the year ended December 31, 1999 SPEEDCOM used approximately \$785,000 for its operating activities. This was primarily due to decreases in accounts payable and its net loss for the period. SPEEDCOM's cash flow used for financing activities increased due to the receipt of approximately \$967,000 from the sale of its common stock during the 1999 year. As of December 31, 1999, SPEEDCOM had cash of approximately \$109,000.

In April 2001, SPEEDCOM entered into a one-year \$3,000,000 bridge loan. The loan is due in April 2002 and bears interest at 9% for the first 90 days and 12% thereafter. As part of the transaction, SPEEDCOM issued 333,333 warrants to

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

acquire SPEEDCOM common stock at \$5.00 per share. The proceeds of the bridge note will be used to repay certain short-term debt and payables and for general working capital. The Company obtained net proceeds of

12

approximately \$2,700,000 for this bridge loan. Additional warrants are issuable contingent upon the date on which the loan is repaid. The holder of the loan has certain rights of first refusal on subsequent financings. Interest is due under the loan in quarterly installments with principal payable in total at the maturity date of the loan.

The Company believes that current resources are sufficient to execute its business plan for 2001. However, the Company may seek additional capital to take advantage of opportunities that may arise. This additional capital could come from the sale of common or preferred stock, the exercise of outstanding warrants, or from borrowings. Any material acquisitions of complementary businesses, products or technologies could also require additional equity or debt financing. There can be no assurance that such financing will be available on acceptable terms, if at all. In addition, if the Company's financial results are significantly less than its operating plan, the Company's business, future operating results, and financial condition will be adversely effected. In these circumstances, changes in the Company's cost structure and capital expenditures could be required. Management believes its projections of revenue growth are achievable. However, these actions would be implemented if necessary.

Certain Factors That May Affect Future Results, Financial Condition and Market Price of Securities

If we do not raise additional capital, we may not be able to fulfill our business plan.

In order to take advantage of possible opportunities in 2001 and to execute our business plan for 2002, we may need to raise additional financial capital. If we are unsuccessful in raising that capital, we may not have sufficient funding to purchase necessary goods and services to execute our business plan.

We may not be able to compete successfully in the fixed wireless broadband market in view of rapid technological change and the resources required to deal with technological change.

The markets for our products and the technologies utilized in the industry in which we operate evolve rapidly and depend on key technologies, including wireless local area networks, wireless packet data, modem and radio technologies. SPEEDCOM is developing a series of next generation products, which incorporates the PacketHop(TM) licensed technology from SRI. Delays in developing these products could have a negative effect on our future competitiveness as the industry is constantly changing as new technologies are developed.

The fixed wireless broadband market is at an early stage of development and is rapidly evolving. As is typical for a new and rapidly evolving industry, demand and market acceptance for recently introduced wireless networking products and services are subject to a high level of uncertainty. Market acceptance of particular products cannot be predicted; however, it is likely that new products will not be generally accepted unless they operate at higher speeds and are sold at lower prices. While the number of businesses recognizing the value of wireless solutions is increasing, we do not know whether sufficient demand for our products will emerge and become sustainable. Prospects must be evaluated due to the risks encountered by a company in the early stages of

marketing new products or services, particularly in light of the uncertainties relating to the new and evolving markets in which we operate. There can be no assurance that we will succeed in addressing any or all of these risks, and the failure to do so would reduce demand for SPEEDCOM's products.

We could encounter future competition from larger wireless, computer and networking equipment companies. We could also encounter additional future competition from companies that offer products that replace or are alternatives to radio frequency wireless solutions including, for example, products based on infra-red technology or laser technology and systems that utilize existing telephone wires (such as DSL) or cables within a building as a wired network backbone or satellite systems outside of buildings.

Major changes could render products and technologies obsolete or subject to intense competition from alternative products or technologies or by improvements in existing products or technologies. For example, Internet access and wireless local loop equipment markets may stop growing, whether as a result of the development of alternative technologies, such as fiber optic, coaxial cable or satellite systems. Also, new or enhanced products developed by other companies may be technologically incompatible with SPEEDCOM's products and render our products obsolete.

Many of SPEEDCOM's current and potential competitors have significantly greater financial, marketing, technical and other resources and, as a result, may be able to respond more quickly to new or emerging technologies or standards and to changes in customer requirements, or to devote greater resources to the development, promotion and sale of products or to deliver competitive products at a lower end user price. Current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address the needs of SPEEDCOM's existing and prospective customers. Accordingly, it is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. Increased competition could result in price reductions, reduced operating margins and loss of market share by SPEEDCOM.

SPEEDCOM's reliance on limited sources of wireless and computer components could result in delayed product shipment and higher costs and could damage customer relationships.

Many of the key hardware and software components necessary for the assembly of SPEEDCOM's products are only available from a single supplier or from a limited number of suppliers. Our reliance on sole or limited source suppliers involves several risks, including:

- . suppliers could increase component prices significantly, without advance notice;
- . suppliers could discontinue or delay delivery of product components for reasons such as inventory shortages, new product offerings, increased cost of materials, destruction of manufacturing facilities, labor disputes and bankruptcy; and

- . in order to compensate for potential component shortages or discontinuance, in the future we may hold more inventory than is immediately required, resulting in increased inventory costs.

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

If our suppliers are unable to deliver or ration components to us, we could experience interruptions and delays in manufacturing and sales, which could result in cancellation of orders for products or the need to modify products.

This may cause substantial delays in product shipments, increased manufacturing costs and increased product prices. Further, we may not be able to develop alternative sources for these components in a timely way, if at all, and may not be able to modify our products to accommodate alternative components. These factors could damage our relationships with current and prospective customers lasting longer than any underlying shortage or discontinuance.

Expanding indirect distribution channels may result in increased costs and lower margins.

To increase revenues, we believe that we must increase the number of our distribution partners. Management's strategy includes an effort to reach a greater number of end users through indirect channels. SPEEDCOM is currently investing, and plans to continue to invest, significant resources to develop these indirect channels. These efforts may not generate the revenues necessary to offset such investments. We will be dependent upon the acceptance of our products by distributors and their active marketing and sales efforts relating to our products. The distributors to whom we sell products are independent and are not obligated to deal with SPEEDCOM exclusively or to purchase any specified amount of products. Because SPEEDCOM does not generally fulfill orders by end users of its products sold through distributors, SPEEDCOM will be dependent upon the ability of distributors to accurately forecast demand and maintain appropriate levels of inventory. Management expects that SPEEDCOM's distributors will also sell competing products. These distributors may not continue, or may not give a high priority to, marketing and supporting our products. This and other channel conflicts could result in diminished sales through the indirect channels. Additionally, because lower prices are typically charged on sales made through indirect channels, increased indirect sales could adversely affect the average selling prices and result in lower gross margins.

Growth may divert management resources from current operations.

SPEEDCOM has significantly expanded its operations in recent years, and anticipates that further expansion will be required to address potential growth in the customer base and market opportunities. This expansion has placed, and future expansion is expected to place, a significant strain on our management, technical, operational, administrative and financial resources. SPEEDCOM will need to effectively manage any expansion, which could divert attention and resources from current operations. The expansion and planned expansion may be inadequate to support future operations. We may be unable to attract, retain, motivate and manage required personnel, including finance, administrative and operations staff, or to successfully identify, manage and exploit existing and potential market opportunities because of inadequate staffing.

15

We may also be unable to manage further growth in our multiple relationships with original equipment manufacturers, distributors and other third parties.

Our international operations and sales involve significant risks that could reduce sales and increase expenses.

We anticipate that revenues from customers outside North America will continue to account for a significant portion of our total revenues for the foreseeable future. Expansion of international operations has required, and will continue to require, significant management attention and resources. In addition, we remain

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

heavily dependent on distributors to market, sell and support our products internationally. International operations are subject to additional risks, including the following:

- . difficulties of staffing and managing foreign operations due to time differences, language barriers and staffing constraints in the foreign sales offices;
- . longer customer payment cycles and greater difficulties in collecting accounts receivable increase the amount of time that we have to fund our purchase of the inventory sold;
- . unexpected changes in regulatory requirements, exchange rates, trading policies, tariffs and other barriers could increase our costs;
- . uncertainties of laws and enforcement relating to the protection of intellectual property could allow competitors to infringe on our technology;
- . limits on the ability to sue and enforce a judgment for accounts receivable increase the risk of bad debt expense;
- . potential adverse tax consequences could create additional expense; and
- . political and economic instability in Latin America could limit our sales in that region.

SPEEDCOM has a history of losses and may never achieve or sustain profitability.

We have incurred significant losses since our inception. SPEEDCOM intends to decrease its operating expenses in an attempt to achieve profitability in the fourth quarter of 2001, however revenues may not grow or even continue at their current level. If revenues do not rapidly increase or if we are not able to decrease expenses, we will never become profitable.

Our common stock price is volatile.

Our stock and the Nasdaq stock market in general have experienced significant price and volume fluctuations in recent months and the market prices of technology companies have been highly volatile. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. Such litigation could result in substantial costs and diversion of management's attention.

Our manufacturing capabilities are limited and could prevent us from keeping up with customer demand.

16

SPEEDCOM has no experience in large-scale manufacturing. If our customers were to place orders substantially greater than current levels, SPEEDCOM's present manufacturing abilities may not be adequate to meet such demand. There can be no assurance that we will be able to contract additional manufacturing personnel on a timely basis.

Our concentrated ownership structure means that our two controlling shareholders can control the outcome of any shareholder vote.

A majority of SPEEDCOM's common stock is currently controlled by Michael W. McKinney and Barbara McKinney (the McKinneys). Therefore, certain corporate actions, which the Board of Directors may deem advisable for the shareholders of SPEEDCOM as a whole, such as a business combination, may not be approved by the common shareholders if submitted to a vote, unless the McKinneys approve the potential transaction.

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

SPEEDCOM is subject to extensive and unpredictable government regulation, which could make our products obsolete, raise our development costs and create opportunities for other competitors.

SPEEDCOM is subject to various FCC rules and regulations in the United States and to other government regulations abroad. There can be no assurance that new FCC regulations will not be promulgated or that existing regulations outside of the United States would not adversely affect international marketing of SPEEDCOM's products.

Regulatory changes, including changes in the allocation of available frequency spectrum, could significantly impact operations by restricting development efforts, rendering current products obsolete or increasing the opportunity for additional competition. In September 1993 and in February 1995, the FCC allocated additional spectrum for personal communications services. In January 1997, the FCC authorized 300 MHz of additional unlicensed frequencies in the 5 Gigahertz frequency range. In 2000, the FCC modified the rules for "frequency hopping spread spectrum" radios to allow greater power utilization in certain circumstances. These changes in the allocation of available frequency spectrum could create opportunities for other wireless networking products and services or shift the competitive balance between SPEEDCOM and its competitors.

17

Item 7. Financial Statements

Report of Independent Certified Public Accountants

Board of Directors
SPEEDCOM Wireless Corporation

We have audited the accompanying balance sheets of SPEEDCOM Wireless Corporation as of December 31, 2000 and 1999 and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended. Our audits also included the financial statement schedule listed at Item 13. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPEEDCOM Wireless Corporation at December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material aspects the information set forth therein.

/s/ ERNST & YOUNG LLP

Tampa, Florida
April 13, 2001

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

SPEEDCOM WIRELESS CORPORATION
BALANCE SHEETS

| | December 31, | |
|--|--------------|--------------|
| | 2000 | 1999 |
| <hr/> | | |
| Assets | | |
| Current assets: | | |
| Cash | \$ 227,066 | \$ 1,188,206 |
| Restricted cash | -- | 43,389 |
| Accounts receivable, net of allowances of \$296,330 and \$143,371 in 2000 and 1999, respectively | 1,788,206 | 2,388,283 |
| Lease receivable | 43,389 | 732,753 |
| Inventories, net of reserves of \$32,596 and \$55,576 in 2000 and 1999, respectively | 2,388,283 | 5,179,697 |
| Prepaid expenses and other current assets | 732,753 | 586,578 |
| <hr/> | | |
| Total current assets | 5,179,697 | 956,133 |
| Accounts receivable | 586,578 | 36,157 |
| Property and equipment, net | 956,133 | 158,405 |
| Lease receivable | 36,157 | 76,994 |
| Other assets, net | 158,405 | 6,993,964 |
| Investments | 76,994 | \$ 1,188,206 |
| <hr/> | | |
| Total assets | \$ 6,993,964 | \$ 1,188,206 |
| <hr/> | | |
| Liabilities and stockholders' equity (deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,673,570 | \$ 700,815 |
| Current portion of accrued expenses | 700,815 | 336,780 |
| Current portion of loans from stockholders | 336,780 | 90,047 |
| Current portion of deferred revenue | 90,047 | 52,901 |
| Current portion of notes and capital leases payable | 52,901 | 3,854,113 |
| <hr/> | | |
| Total current liabilities | 3,854,113 | 203,733 |
| Accrued expenses, net of current portion | -- | 50,141 |
| Loans from stockholders, net of current portion | 203,733 | 57,294 |
| Deferred revenue, net of current portion | 50,141 | 9,289 |
| Notes and capital leases payable, net of current portion | 57,294 | -- |
| <hr/> | | |
| Stockholders' equity (deficit): | | |
| Common stock, \$.001 par value, 30,000,000 shares authorized, 9,289,529 and 7,351,323 shares issued and outstanding in 2000 and 1999, respectively | 9,289 | 7,889,817 |
| Preferred stock, 10,000,000 shares authorized | -- | (4,995,423) |
| Additional paid-in capital | 7,889,817 | (75,000) |
| Accumulated deficit | (4,995,423) | 2,828,683 |
| Notes receivable - related party | (75,000) | 2,828,683 |
| <hr/> | | |
| Total stockholders' equity (deficit) | 2,828,683 | 6,993,964 |
| <hr/> | | |
| Total liabilities and stockholders' equity (deficit) | \$ 6,993,964 | \$ 6,993,964 |
| <hr/> | | |

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

See accompanying notes.

19

SPEEDCOM WIRELESS CORPORATION
STATEMENTS OF OPERATIONS

| | Years Ended December 31, | |
|---|--------------------------|-------------|
| | 2000 | 1999 |
| | ----- | |
| Net revenues | \$ 10,662,478 | \$ 4,977,78 |
| Operating costs and expenses: | | |
| Cost of goods and services | 5,784,415 | 3,025,03 |
| Salaries and related | 3,596,052 | 1,578,44 |
| General and administrative | 1,920,392 | 543,78 |
| Selling expenses | 1,418,514 | 402,23 |
| Provision for bad debt | 272,957 | 78,82 |
| Depreciation and amortization | 165,681 | 44,36 |
| | ----- | |
| | 13,158,011 | 5,672,67 |
| | ----- | |
| Loss from operations | (2,495,533) | (694,89 |
| Other income (expense): | | |
| Interest expense, net | (36,402) | (107,76 |
| Other (expense) income, net | (45,832) | 12,15 |
| | ----- | |
| | (82,234) | (95,61 |
| | ----- | |
| Net loss | \$ (2,577,767) | \$ (790,50 |
| | ===== | |
| Net loss per common share: | | |
| Basic and diluted | \$ (0.31) | \$ (0.1 |
| | ===== | |
| Shares used in computing basic and diluted net loss per share | 8,266,693 | 7,059,75 |
| | ===== | |

See accompanying notes.

20

SPEEDCOM WIRELESS CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

| | Common Stock | | | |
|----------------------------|--------------|---------|----------------------------------|--------------------|
| | Shares | Amount | Additional Paid-in Capital | Accumula Defici |
| Balance at January 1, 1999 | 6,981,693 | \$6,982 | \$1,125,619 | \$(1,627,1 |

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

| | | | | |
|---|-----------|---------|-------------|------------|
| Issuance of common stock for cash | 417,892 | 417 | 966,386 | |
| Issuance of common stock for services | 9,043 | 9 | 19,881 | |
| Treasury shares purchased | (57,305) | (57) | (49,943) | |
| Net loss | -- | -- | -- | (790,5 |
| ----- | | | | |
| Balance at December 31, 1999 | 7,351,323 | 7,351 | 2,061,943 | (2,417,6 |
| Issuance of common stock and warrants for cash | 1,950,834 | 1,951 | 5,370,807 | |
| Exercise of stock options | 18,822 | 19 | 49,295 | |
| Issuance of common stock for note and consulting services | 28,653 | 28 | 99,972 | |
| Services rendered and payment collected on note | -- | -- | -- | |
| Issuance of common stock for services | 125,000 | 125 | 531,125 | |
| Treasury shares purchased | (185,103) | (185) | (223,325) | |
| Net loss | -- | -- | -- | (2,577,7 |
| ----- | | | | |
| Balance at December 31, 2000 | 9,289,529 | \$9,289 | \$7,889,817 | \$(4,995,4 |
| ===== | | | | |

See accompanying notes.

21

SPEEDCOM WIRELESS CORPORATION
STATEMENTS OF CASH FLOWS

| | Years Ended Dec 2000 | |
|---|-------------------------|----|
| | ----- | |
| Operating activities | | |
| Net loss | \$ (2,577,767) | \$ |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 165,681 | |
| Provision for bad debt | 272,957 | |
| Provision for inventory obsolescence | (22,980) | |
| Gain on sale of assets | -- | |
| Common stock issued for services | 220,000 | |
| Changes in operating assets and liabilities: | | |
| Restricted cash | 35,671 | |
| Accounts receivable | (2,132,586) | |
| Lease receivable | (79,546) | |
| Inventories | (1,812,299) | |
| Prepaid expenses and other current assets | (394,321) | |
| Other assets | (191,115) | |
| Accounts payable and accrued expenses | 2,183,159 | |
| Deferred revenue | (6,433) | |
| | ----- | |
| Net cash used in operating activities | (4,339,579) | |
| Investing activities | | |
| Proceeds from sale of equipment | -- | |
| Purchases of equipment | (922,615) | |

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

| | |
|---|------------|
| Net cash used in investing activities | (922,615) |
| Financing activities | |
| Repayments of advances from factor | (111,731) |
| Proceeds from sale of common stock and warrants | 5,422,072 |
| Proceeds from loans from stockholders | 540,513 |
| Payments of loans from stockholders | (45,639) |
| Proceeds from issuance of note | 12,500 |
| Payments of notes and capital leases | (213,509) |
| Purchase of treasury stock | (223,510) |
| Net cash provided by financing activities | 5,380,696 |
| Net increase in cash | 118,502 |
| Cash at beginning of year | 108,564 |
| Cash at end of year | \$ 227,066 |

See accompanying notes.

22

SPEEDCOM WIRELESS CORPORATION
STATEMENTS OF CASH FLOWS (CONTINUED)

| | Years Ended December 31, | |
|---|--------------------------|-----------|
| | 2000 | 1999 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ 20,931 | \$ 28,667 |
| Supplemental disclosure of noncash investing and financing activities | | |
| Increase in capital lease obligations | -- | \$ 8,501 |
| Common stock issued for services | \$ 551,250 | \$ 19,890 |
| Common stock issued for note | \$ 95,000 | -- |
| See accompanying notes. | | |

23

SPEEDCOM WIRELESS CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

1. Business

SPEEDCOM Wireless Corporation was incorporated in Florida on March 16, 1994 and reincorporated in Delaware on September 26, 2000. The Company manufactures and installs custom broadband wireless networking equipment for business and residential customers internationally. Through its Wave Wireless Networking division, the Company manufactures a variety of broadband wireless products,

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

including the Speedlan family of wireless ethernet bridges and routers. Internet service providers, telephone company operators and private organizations in over 60 countries use SPEEDCOM products to provide "last-mile" wireless connectivity between multiple buildings at speeds up to 100 Megabits per second and distances of up to 25 miles. SPEEDCOM Wireless Corporation is an ISO 9001 registered company.

2. Basis of Presentation

On September 26, 2000, SPEEDCOM Wireless International Corporation merged with LTI. The parties renamed the combined company SPEEDCOM Wireless Corporation and continued the business of Old SPEEDCOM. Pursuant to the terms of the merger agreement, LTI effected a 1 for 4.26 reverse stock split prior to the merger. The reverse stock split reduced the number of LTI's outstanding common shares to 655,958, the number of shares issuable upon exercise of LTI's stock warrants to 1,966,927 and the number of shares issuable upon exercise of LTI's purchase options to 39,950. The merger was also effected with the issuance by LTI of 8,515,778 shares of its common stock, on a 1.146 for 1 basis, for the outstanding common shares of Old SPEEDCOM, which included an additional 1,084,873 shares issued to Old SPEEDCOM shareholders as a closing adjustment under the merger agreement. All shares issued pursuant to the reverse merger were included in calculating the Net loss per common share.

Since LTI was a non-operating shell company, the merger was treated as a recapitalization of the Company for accounting purposes. As a result, the Company recorded the transaction as the issuance of common stock for the net monetary assets of LTI (principally cash), accompanied by a recapitalization of equity. The Company recorded a net increase in equity of \$1,215,937, which represented the total net assets of LTI, which is included in the Issuance of common stock and warrants for cash line item of the Statements of Changes in Stockholders' Equity (Deficit). The Company has recorded the transaction to reflect the shares outstanding under the current structure. There has been no change in the basis under which the assets and liabilities of the Company are recorded. Accordingly, except as specifically noted to the contrary, (1) the financial information herein that predates the merger consists of information about Old SPEEDCOM, and (2) all references to SPEEDCOM or the Company refer to Old SPEEDCOM before the merger and to the combined company after the merger. The financial statements presented in this Form 10-KSB/A reflect the financial position of the remaining legal entity, LTI, which subsequently changed its name to SPEEDCOM Wireless Corporation. All shares, options

24

and warrants issued by SPEEDCOM prior to the merger have been retroactively restated for all periods presented to reflect the 1.146 for 1 merger exchange ratio.

The accompanying financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC).

In the opinion of management, the financial statements reflect all adjustments (consisting of only normal and recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for those periods presented.

3. Summary of Significant Accounting Policies

Revenue Recognition

The Company contracts with customers under short-term (generally two to four weeks in duration) arrangements to configure, assemble, and install wireless

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

communications products. The Company recognizes revenue on its wireless communications products upon shipment as title transfer occurs at the time of shipment. The Company does not extend any form of price protection to its customers or resellers. Customers may exchange or return merchandise within 30 days if the product is found to be non-functional upon delivery. The Company also sells extended maintenance agreements, for periods of one to three years. Revenue on extended maintenance agreements is deferred and recognized on a straight-line basis over the term of the agreement.

Effective January 1, 2000, the Company adopted the provisions of the Securities and Exchange Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS (SAB 101). SAB 101 provides guidance on the recognition, presentation, and disclosures of revenue in financial statements. The adoption of SAB 101 had no impact on the Company's financial statements.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk, as defined by Statement of Financial Accounting Standards (SFAS) No. 105, DISCLOSURE OF INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK, are primarily cash and cash equivalents and accounts receivable.

The Company places its cash and temporary cash investments with high-quality institutions. Accounts receivable are from the configuration, assembly and installation of wireless communications products. Credit is extended based on evaluation of the customer's financial condition and generally collateral is not required. Anticipated credit losses are provided for in the financial statements and have been within management's expectations. As of December 31, 2000, 49% of the Company's accounts receivable were from one customer. As of December 31, 1999, no single customer accounted for more than 10% of the Company's accounts receivable.

25

Factored Accounts Receivable

The Company accounted for its accounts receivable factoring arrangement as a secured borrowing pursuant to SFAS No. 125, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENT OF LIABILITIES. As a result, the balances of accounts receivable sold to the lending institution as of December 31, 1999 are shown as assets of the Company and the amounts advanced to the Company are shown as being payable to the factor. The related service charge is reflected in interest expense in the period that the accounts receivable are transferred. Cash balances retained by the lending institution are reflected in the accompanying financial statements as restricted. As of December 31, 2000 this agreement was terminated, therefore there were no borrowings outstanding under this arrangement.

Inventories

Inventories consist of telecommunications equipment, related component parts used in the assembly of wireless network products and finished assemblies ready for installation. Inventories are recorded at the lower of cost (using the first-in, first-out method) or net realizable value. Labor and overhead costs related to assemblies and installations in process are included in the cost of finished assemblies.

Impairment of Long-Lived Assets

In accordance with SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, the Company reviews its long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. This review consists of a comparison of the carrying value of the asset held for use in operations with the asset's expected future undiscounted cash flows with interest costs. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions and projections. If the expected future cash flow exceeds the carrying value of the asset, no impairment is recognized. If the carrying value of the asset exceeds the expected future cash flows, an impairment exists and is measured by the excess of the carrying value over the fair value of the asset. Any impairment provisions recognized are permanent and may not be restored in the future. No impairment loss was recognized in 2000 or 1999.

Investments

Investments are stated at the lower of cost or market value. As of December 31, 2000, the cost of the Company's investments estimated their fair market value, thus no unrealized gain or loss was recorded.

26

Property And Equipment

Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of depreciable assets ranging from three to five years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the term of the related lease agreement.

Financial Instruments

The Company's significant financial instruments include accounts receivable, accounts payable and notes payable. The Company believes that the carrying values of financial instruments in the accompanying balance sheets approximate their respective fair values.

Income Taxes

Currently, the Company follows the liability method of accounting for income taxes in accordance with SFAS No. 109, ACCOUNTING FOR INCOME TAXES (SFAS 109). Under SFAS 109, deferred income taxes are recorded based upon differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to affect taxable income.

Stock-Based Compensation

The Company accounts for employee stock-based compensation using the intrinsic method in accordance with Accounting Principles Board No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, (APB 25) and related Interpretations. Accordingly, in cases where exercise prices equal or exceed fair market value of the stock at the date of grant, the Company recognized no compensation expense for stock option grants. In cases where exercise prices are less than fair value of the stock at the date of grant, compensation is recognized over the period of performance or the vesting period. For purposes of stock-based compensation prior to the reverse merger with LTI, the fair value of the stock underlying the awards has been determined relative to the sales prices received in private placements of common stock by the Company. For purposes of stock-based compensation after the reverse merger with LTI, the fair value of the stock underlying the awards has been determined to be the market price on the date of

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

grant. Pro forma financial information, assuming that the Company had adopted the fair value measurement standard of SFAS 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, for all stock-based compensation, is included in Note 11 to the financial statements.

Advertising Costs

The Company's policy is to expense advertising costs as incurred. During the years ended December 31, 2000 and 1999, the Company expensed \$327,590 and \$16,637, respectively, in advertising expenses. Such amounts are included in selling expenses.

27

Research and Development Costs

The Company's research and development expenses during the fiscal year ending December 31, 2000 and 1999 were \$51,253 and \$0, respectively.

Loss Per Share

The Company has applied the provisions of SFAS 128, EARNINGS PER SHARE, which establishes standards for computing and presenting earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares outstanding for the period. The calculation of diluted earnings per share includes the effect of dilutive common stock equivalents. No dilutive common stock equivalents existed in any year presented.

Unexercised options and warrants to purchase 644,355 and 0 shares of common stock and unexercised convertible debt to purchase 123,000 and 0 shares of common stock for the years ended December 31, 2000 and 1999, respectively were not included in the computations of diluted loss per share because assumed conversion would be antidilutive.

Additional shares may become issuable as a result of a repricing provision that applies to 83,000 shares of common stock issued on October 30, 2000 for a price of \$7.35 per share, or a total of \$610,050. Additional shares will be issued one year thereafter if the average price of the Company's common stock during the ten trading days before the first anniversary of issuance is less than \$7.35 per share, with the total number of shares, as adjusted after repricing, being determined by dividing \$610,050 by such average price.

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2000 presentation.

4. Recently Issued Accounting Standards

In June 2000, the Financial Accounting Standards Board issued SFAS 138, ACCOUNTING FOR CERTAIN DERIVATIVE INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES, an amendment of Statement 133, which is effective for fiscal years beginning after

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

June 15, 2000. The adoption of this Statement did not have a significant effect on the Company's financial position and results of operations.

5. Inventories

A summary of inventories at December 31, 2000 and 1999 is as follows:

28

| | 2000 | 1999 |
|----------------------|--------------|------------|
| | ----- | |
| Component parts | \$ 1,156,966 | \$ 458,385 |
| Completed assemblies | 1,231,317 | 94,619 |
| | ----- | |
| | \$ 2,388,283 | \$ 553,004 |
| | ===== | |

6. Property And Equipment

A summary of property and equipment at December 31, 2000 and 1999 is as follows:

| | 2000 | 1999 |
|-------------------------------|------------|------------|
| | ----- | |
| Computer and office equipment | \$ 822,006 | \$ 192,952 |
| Automobiles | 51,737 | 43,637 |
| Leasehold improvements | 86,207 | 18,706 |
| Furniture and fixtures | 135,415 | 16,775 |
| Store and warehouse | 101,719 | 22,117 |
| Construction in progress | 49,244 | 29,526 |
| | ----- | |
| | 1,246,328 | 323,713 |
| Less accumulated depreciation | (290,195) | (124,514) |
| | ----- | |
| | \$ 956,133 | \$ 199,199 |
| | ===== | |

Property and equipment included computer and office equipment of \$67,797 acquired under capital lease arrangements at December 31, 2000 and 1999. Amortization and depreciation expense amounted to \$165,681 and \$55,457 for the years ended December 31, 2000 and 1999, respectively. Amortization of assets under capital lease arrangements is included in depreciation expense.

7. Accrued Expenses

A summary of accrued expenses at December 31, 2000 and 1999 is as follows:

| | 2000 | 1999 |
|---------------------|------------|------------|
| | ----- | |
| Accrued payroll | \$ 287,252 | \$ 79,956 |
| Accrued commissions | 109,052 | 10,673 |
| Other | 304,511 | 271,505 |
| | ----- | |
| | \$ 700,815 | \$ 362,134 |
| | ===== | |

8. Loans from Stockholders

A summary of unsecured stockholder loans at December 31, 1999 is as follows:

| | | |
|---|----|--------|
| 19% note payable originally due February 28, 1998 | \$ | 5,139 |
| 19% note payable originally due December 19, 1998 | | 16,000 |
| 19% note payable originally due January 21, 1999 | | 15,000 |
| 19% note payable originally due November 13, 1999 | | 7,500 |
| 19% note payable originally due November 25, 1999 | | 2,000 |
| | | ----- |
| | \$ | 45,639 |
| | | ===== |

All of the above notes were paid in January 2000. Interest expense amounted to \$10,989 for the year ended December 31, 1999.

SPEEDCOM issued a \$250,000 promissory note to the Company's President in December 2000. The note bears an interest rate of the greater of 12% or DLJ's standard margin rate plus 1.5%. The note is payable in December 2001 or at the closing of an equity offering by the Company of at least \$5,000,000, whichever is earlier. The Company concurrently granted a total of 25,000 warrants with a \$3.60 strike price in connection with this note. The proportionate fair value of the warrants amounted to \$62,500 and has been recorded as an addition to paid-in capital and as an original issue discount reducing the carrying value of the note. The discount is being amortized to interest expense over the remaining life of the note. The balance of the note at December 31, 2000 amounted to \$187,500.

The Company issued a \$252,000 non-interest bearing promissory note in December 2000, with beneficial conversion features. The note is due in December 2001, payable in cash or 70,000 shares of common stock, at the holder's option. The 70,000 shares are worth \$115,500 more than the face value of the note based on the per-share value at the date of the note. This amount has been recorded as an addition to paid-in capital and as an original issue discount reducing the carrying value of the note. The discount is being amortized to interest expense over the remaining life of the note. The balance of the note at December 31, 2000 amounted to \$143,145.

In December 2000, the Company issued a \$200,000 non-interest bearing promissory note, with beneficial conversion features. The note is due in January 2002, payable in cash or 50,000 shares of common stock, at the holder's option. The 50,000 shares are worth \$37,500 more than the face value of the note based on the per-share value at the date of the note. This amount has been recorded as an addition to paid-in capital and as an original issue discount reducing the carrying value of the note. The discount is being amortized to interest expense over the remaining life of the note. The balance of the note at December 31, 2000 amounted to \$163,733.

Also in December 2000, the Company issued a \$10,800 non-interest bearing promissory note with beneficial conversion features. The note is due in December 2001, payable in cash or 3,000 shares of common stock at the holder's option. The 3,000 shares are worth \$4,950 more than the face value of the note based on the per-share value at the date of the note. This amount has been recorded as an addition to paid-in capital and as an original issue discount reducing the carrying value of the note. The discount is being amortized to interest expense over the remaining life of the note. The balance of the note at December 31, 2000 amounted to \$6,135.

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

During January 2000, the Company issued a 10% convertible subordinated promissory note for \$40,000, due for payment in January 2003. The note is convertible into 10,000 shares of common stock at any time during its term. The note is subordinate to all other debt instruments. The \$40,000 note and accrued interest was converted in 2001.

9. Notes and Capital Leases Payable

A summary of notes and capital leases payable at December 31, 2000 and 1999 is as follows:

| | 2000 | 1999 |
|--|-----------|------|
| | | |
| 12% promissory note, originally due September 1999, in default at December 31, 1999 | \$ -- | \$ 1 |
| Advances under accounts receivable factor arrangement | -- | 1 |
| 10.5% bank note payable in monthly installments through June 2003, secured by equipment and inventories | 46,631 | |
| 8%-10.6% automobile loans payable in monthly installments through January 2003, secured by equipment | 29,460 | |
| Capital lease obligations | 34,104 | |
| | 110,195 | 4 |
| Less current portion | (52,901) | (3) |
| | \$ 57,294 | \$ |
| | | |

The Company entered into a \$200,000 promissory note with a vendor during 1999. Interest was required to be paid monthly and all outstanding principal and accrued interest was payable in full on September 30, 1999. At December 31, 1999, the principal balance outstanding on the note was \$175,000 and was in default. However, the note was repaid in full in the year 2000.

During 1999 and a portion of 2000, the Company had an accounts receivable factoring arrangement with a lending institution that provided for the sale of certain accounts receivable balances aggregating no more than \$400,000. The lending institution charged a fee of 2.5% of the face value of the receivables purchased. The arrangement provided for full recourse to the lending institution. Advances by the lending institution amounted to \$111,731 as of December 31, 1999. Subsequent to December 31, 1999, the advances were repaid and no additional advances were taken on the arrangement which has been terminated.

Aggregate future maturities of notes and capital leases payable as of December 31, 2000 are as follows:

31

| | Notes | Leases |
|------|----------|---------|
| | | |
| 2001 | \$33,586 | \$ 24,0 |
| 2002 | 23,570 | 12,4 |
| 2003 | 15,434 | 6,2 |
| 2004 | 2,970 | |

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

| | | |
|-----------------------------------|----------|---------|
| 2005 and thereafter | 531 | |
| Total maturities and payments | \$76,091 | \$ 42,7 |
| Less amount representing interest | | (8,6 |
| Less current portion | | (19,3 |
| | | \$ 14,7 |

10. Income Taxes

A reconciliation of the differences between the effective income tax rate and the statutory federal tax rate follows:

| | 2000 | 1999 |
|-------------------------------------|----------|---------|
| Tax at U.S. statutory rate | (34.00)% | (34.00) |
| State taxes, net of federal benefit | (3.58) | (3.61) |
| Change in valuation allowance | 37.10 | 37.44 |
| Other | 0.48 | 0.17 |
| | 0.00% | 0.00 |

Significant components of the Company's deferred tax assets and liabilities are as follows:

| | 2000 | 1999 |
|----------------------------------|--------------|----------|
| Deferred tax assets: | | |
| Net operating loss carryforwards | \$ 1,643,440 | \$ 768,4 |
| Accounts receivable | 111,509 | 53,9 |
| Deferred revenue | 52,753 | 55,1 |
| Accrued expenses | 43,288 | 20,8 |
| Other | 24,605 | 20,9 |
| Gross deferred tax assets | 1,875,595 | 919,3 |
| Less: valuation allowance | (1,875,595) | (919,3 |
| Net deferred tax asset | \$ -- | \$ |

Generally accepted accounting principles require a valuation allowance be recorded to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management has determined that a valuation allowance is necessary at December 31, 2000 and 1999 to fully offset the deferred tax asset.

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

At December 31, 2000, the Company's net operating loss carryforward for federal income tax purposes are approximately \$4,400,000, expiring in various amounts from 2012 through 2020.

11. Stockholders' Equity

During the year ending December 31, 2000, the following shares of common stock were issued for cash:

| Number of Shares | Price |
|------------------|--------|
| 4,584 | \$1.96 |
| 105,441 | \$2.18 |
| 229,220 | \$2.84 |
| 656 | \$3.05 |
| 498,267 | \$3.49 |
| 84,238 | \$4.36 |
| 47,755 | \$5.24 |
| 186,773 | \$6.98 |
| 83,000 | \$7.35 |

Additional shares may become issuable as a result of a repricing provision that applies to 83,000 shares of common stock issued on October 30, 2000 for a price of \$7.35 per share, or a total of \$610,050. Additional shares will be issued one year thereafter if the average price of the Company's common stock during the ten trading days before the first anniversary of issuance is less than \$7.35 per share, with the total number of shares, as adjusted after repricing, being determined by dividing \$610,050 by such average price.

Included in the above sales of \$4.36 per share are shares of common stock with detachable warrants to purchase up to 84,238 shares of common stock at an exercise price of \$8.72 per share. These warrants have a term of two years. Also included in the above sales of \$5.24 per share are 47,755 shares of common stock with detachable warrants to purchase up to 114,610 shares of common stock at \$6.54 per share. These warrants expired on October 7, 2000 without being exercised.

During August 2000, 9,004 options were exercised for \$2.62 per share. During October 2000, 9,168 options were exercised for \$2.62 per share. During December 2000, 650 options were exercised for \$2.62 per share. The Company also issued 154,943 shares of common stock for finder's fees and costs incurred in connection with the merger as discussed in Note 2 above. Pursuant to the merger as discussed above and in Note 2, in September 2000, LTI effected a 1 for 4.26 reverse stock split which reduced the number of LTI's outstanding common shares to 655,958, the number of LTI's stock warrants to 1,966,927 and the number of LTI's purchase options to 39,950. The merger was also effected with the issuance by LTI of 8,515,778 shares of its common stock, on a 1 for 1.146 basis, for the outstanding common shares of Old SPEEDCOM, which included an additional 1,084,873 shares issued to Old SPEEDCOM shareholders as a closing adjustment under the merger agreement. Net proceeds on the sales of stock during the year ending December 31, 2000 amounted to \$5,422,072. The merger agreement did not change the terms of the issued stock options other than the adjustment of the quantity and share price for the 1.146 for 1 exchange ratio.

In addition to sales of stock for cash, during May 2000 the Company issued 28,653 shares of common stock to a board member in exchange for a \$95,000, 6% promissory note and two months of consulting services. A value of \$100,000 was

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

ascribed to the common stock issued,

33

based upon the then most recent sale of common stock at a price of \$3.49 per share. The value was allocated to the face value of the note receivable in the amount of \$95,000 (contra-equity) and deferred consulting services (expense) in the amount of \$5,000. During the 2000 fiscal year repayment of \$15,000 of the note was in the form of consulting fees and repayment of \$5,000 of the note was in cash. Subsequent to year end, the note was repaid in full by the board member.

In September 2000, the Company issued 148,000 shares of common stock with an ascribed value of \$4.00 per share to Del Mar Consulting Group. Of these shares, 48,000 were for services rendered in connection with the merger with LTI, and 100,000 of these shares were for investor relations services. Half of these investor relations services were rendered in 2000 and the remainder will be rendered in 2001.

In December 2000, the Company issued a retainer of \$25,000 in cash and 25,000 shares of common stock with an ascribed value of \$5.25 per share to H.C. Wainwright, a Boston based investment banker. These amounts are included in prepaid expenses and other assets as of December 31, 2000. The retainers are for services to be rendered through April 2001 in connection with raising capital for the Company. The amounts will be charged against equity when capital is raised or expensed if such efforts are unsuccessful.

During the years ended December 31, 2000 and 1999, the Company repurchased 185,103 and 57,305 shares of its common stock, for cash, respectively. These shares were retired when repurchased.

During the period from January 1999 to September 1999, the Company sold 238,528 shares of its common stock at a per share price of \$1.96. During the period from October 1999 to December 1999, the Company sold 289,390 shares of its common stock at a per share price of \$2.18. Of the total shares sold, 110,026 shares were unissued at December 31, 1999. These shares were issued subsequent to December 31, 1999. The net proceeds on sales of stock during the year ending December 31, 1999 were \$966,803.

The Company has 10,000,000 shares of preferred stock authorized. There are not any shares issued or outstanding as of December 31, 2000 or 1999.

Employee Stock-Based Compensation

At December 31, 2000 and 1999, the Company had 3,000,000 and 2,000,000 shares of common stock reserved for issuance under employee incentive stock bonus, purchase or option plans, respectively. One plan, initiated in July 1998, reserved 2,000,000 shares, and another plan, initiated in September 2000, reserved 1,000,000 shares. Additional options of 1,503,552 were issued outside these two plans prior to the merger with LTI to employees and management. All full time employees are eligible for both plans. Options have a term of 5 years and vest 25% annually on the employee's anniversary date over a four-year period. As of December 31, 2000 there were 961,150 shares unissued under the plans.

34

Employee stock option activity was as follows during the years ended December 31, 2000 and 1999:

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

| | Options | 2000 Weighted Average Exercise Price | Options | 1999 Weighted Average Exercise Price |
|-------------------------------|-----------|--|-----------|---|
| Outstanding-- | | | | |
| Beginning of year | 1,721,298 | \$2.62 | 1,092,176 | |
| Granted at market price | 1,293,156 | 3.35 | 659,551 | |
| Exercised | (18,822) | 2.62 | -- | |
| Expired or cancelled | (57,654) | 3.24 | (30,429) | |
| Outstanding - end of year | 2,937,978 | \$2.95 | 1,721,298 | |
| Exercisable as of December 31 | 1,037,579 | \$2.62 | 344,303 | |

The weighted average fair value of the options granted during 2000 and 1999 is \$2.10 and \$.21, respectively. The weighted average remaining contractual life of the options as of December 31, 2000 and 1999 is 3.3 and 2.8 years, respectively.

Pro forma information regarding the Company's stock option grants is presented below. The fair market value for these options was estimated at the date of grant using the "Minimum Value" method for 1999. The Minimum Value method calculates the excess of the fair value of the stock at the date of grant over the present value of both the exercise price and the expected dividend payments, each discounted at the risk-free rate over the expected exercise life of the option. The fair market value for these options was estimated at the date of grant using the Black-Scholes option pricing model for 2000. In order to calculate the fair value, the following assumptions were made: the expected dividend payment rate used was zero, the expected option life used was five years in 2000 and 1999, the volatility used was 1.268 in 2000 and the risk free interest rate was assumed to be 5.77% in 2000 and 5.23% in 1999. Because the options have a four-year vesting period, the pro forma effect shown below is not reflective of the reported net earnings or losses in future years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows at December 31, 2000 and 1999:

| | 2000 | 1999 |
|--|----------------|-------------|
| Reported net loss | \$ (2,577,767) | \$ (79,000) |
| Estimated fair value of options | (527,634) | (13,000) |
| Pro forma net loss | \$ (3,105,401) | \$ (92,000) |
| Reported net loss per share: basic and diluted | \$ (0.31) | \$ (0.31) |
| Effect for the fair value of options | (0.07) | (0.07) |
| Pro forma net loss | \$ (0.38) | \$ (0.38) |

12. Leases

The Company leases office and manufacturing facilities, computer and office equipment under operating leases. Rent expense under operating leases, amounted

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

to \$243,167 and \$80,002 for

35

the years ended December 31, 2000 and 1999, respectively. Future noncancellable lease payments under operating leases for each year ended December 31 are as follows: 2001-\$227,615; 2002-\$75,611; 2003-\$35,122; 2004-\$24,822; and 2005-\$11,015.

In addition, SPEEDCOM has signed an operating lease for a to-be-constructed 40,000 square foot facility, which will include 8,000 square feet of manufacturing capacity. The lease term is for 15 years upon completion of construction. The monthly base rent will be approximately \$42,000. SPEEDCOM anticipates it will begin using the new facility during the fourth quarter of 2001.

13. Employee Benefit Plan

The Company has established a 401(k) profit-sharing plan. Employees 21 years or older are eligible to participate in the plan. Participants may elect to contribute, on a tax-deferred basis, up to the legal maximum, of their compensation. The Company will contribute 25% matching after an employee has been with the Company for 90 days. The Company's contributions to the plan were \$26,453 and \$14,406 for the years ended 2000 and 1999, respectively.

14. Segment and Geographic Information

The Company operated during all periods in a single operating segment when applying the management approach defined in Statement of Financial Accounting Standards No. 131, DISCLOSURES ABOUT SEGMENTS.

The Company's business and principal operations are domiciled in North America. The Company generated revenue in the following geographic areas: North America, Latin America, Asia, Africa, Middle East, Europe and Australia. Revenues from customers in foreign geographic areas represented 45% and 23% of total revenues for the years ended December 31, 2000 and 1999, respectively. During 2000, 26% of the Company's revenues were derived from customers located in Latin America. No other foreign geographic area contributed 10% or greater of total revenues for 2000 or 1999. The Company has no significant property in any foreign geographic area.

Although SPEEDCOM serves a large and varied group of customers, approximately 15% of SPEEDCOM's revenues for the year ended December 31, 2000 were derived from one customer.

No single customer accounted for 10% or more of SPEEDCOM's revenue for the year ended December 31, 1999.

15. Financial Results and Management's Plans

The Company incurred losses and used cash in operations in the years ended December 31, 2000 and 1999. These conditions stemmed primarily from initiatives undertaken by management to build infrastructure in the Company to promote significant growth of revenues. If the Company's financial results are significantly less than its operating plan, the Company's business, future

36

operating results, and financial condition will be adversely effected. In these circumstances, changes in the Company's cost structure and capital expenditures

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

could be required. Management believes its projections of revenue growth are achievable. However, these actions would be implemented if necessary.

16. Subsequent Events

During 2000, SPEEDCOM entered into an agreement whereby a customer agreed to purchase \$1,200,000 of equipment and services over a 12-month period. Payment terms extended over a 24-month period. In January 2001, the Company entered into a lease agreement with the customer, whereby the customer altered the purchase agreement and instead agreed to lease the equipment from the Company with payments not to exceed \$2,000,000. The lease agreement is for a term of 36 months and is recorded as a sales type lease.

In January 2001, SPEEDCOM issued a promissory note to the Company's President for \$250,000, payable in April 2001 or at the closing of an equity or debt offering by the Company of at least \$1,000,000, whichever is earlier. The note bears an interest rate of the greater of 12% or DLJ's standard margin plus 1.5%. In addition, the Company immediately granted him a total of 7,000 warrants with an exercise price of \$5.40, plus 4,500 warrants with an exercise price of \$5.40, which vest one-third each month for the first three months of the note.

In March 2001, SPEEDCOM borrowed \$1,500,000 in senior secured debt. The loan is due February 2005 and carries an interest rate of 8%. This loan was repaid in April 2001.

In April 2001, SPEEDCOM borrowed \$3,000,000 from a Connecticut based hedge fund. The loan is due in April 2002 and bears interest at 9% for the first 90 days and 12% thereafter. As part of the transaction, SPEEDCOM issued 333,333 warrants to acquire SPEEDCOM stock at \$5.00 per share. Additional warrants are issuable contingent upon the date on which the loan is repaid. The holder of the loan has certain rights of first refusal on subsequent financings. Interest is due under the loan in quarterly installments with principle payable in total at the maturity date of the loan. The Company obtained net proceeds of approximately \$2,700,000 for this bridge loan, which will be used to repay certain short-term debt and payables for general working capital.

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibits in the accompanying Index to Exhibits are filed as part of this Annual Report on Form 10-KSB.

(b) Reports on Form 8-K

Form 8-K was filed on October 11, 2000 regarding a change in control of the registrant in accordance with the merger with LTI Holdings, Inc.

37

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPEEDCOM Wireless Corporation

/s/ Michael W. McKinney

Chairman, Chief Executive

December 11, 2001

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

| | | |
|---|--|-------------------|
| Michael W. McKinney | Officer and Director | |
| | | |
| /s/ Sara Byrne ----- Sara Byrne | Vice President of Finance and Accounting acting as Controller and Chief Financial Officer | December 11, 2001 |
| | | |
| /s/ R. Craig Roos ----- R. Craig Roos | Vice Chairman and Director | December 11, 2001 |
| | | |
| /s/ John T. von Harz III ----- John T. von Harz III | Director | December 11, 2001 |
| | | |
| /s/ Mark Boyce ----- Mark Boyce | Director | December 11, 2001 |

38

Exhibit Index

| Number | Description |
|---------|---|
| 2.1(1) | Asset Purchase Agreement between Packaging Atlanta Corporation and Laminating Techno |
| 2.2 | Agreement and Plan of Merger by and between SPEEDCOM Wireless International Corporat |
| | as of August 4, 2000 (included as Appendix A to the proxy statement/prospectus filed as part of F |
| | (File No. 333-43098) and incorporated herein by reference) |
| 3.1(8) | Amended and Restated Certificate of Incorporation of SPEEDCOM Wireless Corporation, |
| 3.2(4) | Amended and Restated Bylaws |
| 3.3(6) | Amended and Restated Bylaws of SPEEDCOM Wireless Corporation |
| 4.1(2) | Form of Bridge Note |
| 4.2(2) | Form of Warrant Agreement |
| 4.3(2) | Form of Underwriter's Unit Purchase Option |
| 4.4(6) | Purchase Agreement, dated April 13, 2001, by and among SPEEDCOM Wireless Corporation |
| | therein |
| 4.5(6) | Registration Rights Agreement, dated April 13, 2001, by and among SPEEDCOM Wireless |
| | defined 4.6(6) Form of Warrant of SPEEDCOM Wireless Corporation, dated April 13, 2001 |
| 4.7(7) | Note and Warrant Purchase Agreement by and among SPEEDCOM Wireless Corporation, S.A. |
| | Merchant Fund, L.P., Oscar Private Equity Investments, L.P. and Bruce Sanguinetti |
| 4.8(7) | Promissory Note for \$500,000 issued to S.A.C. Capital Associates, LLC |
| 4.9(7) | Promissory Note for \$250,000 issued to SDS Merchant Fund, L.P. |
| 4.10(7) | Promissory Note for \$750,000 issued to Oscar Private Equity Investments, L.P. |
| 4.11(7) | Promissory Note for \$250,000 issued to Bruce Sanguinetti |
| 4.12(7) | Warrant No. W-1 to Purchase 146,667 Shares of Common Stock issued to S.A.C. Capital |
| 4.13(7) | Warrant No. W-2 to Purchase 73,333 Shares of Common Stock issued to SDS Merchant Fun |
| 4.14(7) | Warrant No. W-3 to Purchase 220,000 Shares of Common Stock issued to Oscar Private E |
| 4.15(7) | Warrant No. W-4 to Purchase 73,333 Shares of Common Stock issued to Bruce Sanguinett |
| 4.16(8) | Purchase Agreement, dated August 23, 2001, by and among SPEEDCOM Wireless Corporatio |
| | herein |
| 4.17(8) | Registration Rights Agreement, dated August 23, 2001, by and among SPEEDCOM Wireless |

Edgar Filing: SPEEDCOM WIRELESS CORP - Form 10KSB40/A

defined herein 4.18(8) Form of Series A Warrant of SPEEDCOM Wireless Corporation dated August 23,
4.19(8) Form of Series B Warrant of SPEEDCOM Wireless Corporation dated August 23, 2001
4.20(8) Settlement Agreement between SPEEDCOM Wireless Corporation and I.W. Miller Group, Inc.
10.1(3) Registration Rights Agreement between the registrant and Michael E. Noonan
10.2(2)* Amended and Restated 1996 Stock Option Plan
10.3(2)* Form of Indemnification Agreement
10.4(4)* Executive Employment Agreement between SPEEDCOM Wireless International Corporation and
10.5(4)* Executive Employment Agreement between SPEEDCOM Wireless International Corporation and
10.6(4)* Executive Employment Agreement between SPEEDCOM Wireless International Corporation and
10.7(4)* Non-Qualified Stock Option Agreement
10.8(4)* Non-Qualified Stock Option Plan
10.9(9) Promissory Note for \$250,000 issued to Bruce Sanguinetti dated December 6, 2000.
10.10(9) Promissory Note for \$40,000 issued to Bill Davis dated May 11, 2001.
10.11(9) Lease Agreement between SPEECOM Wireless Corporation and Lakewood Ranch Properties, Inc.
10.12(9) Intellectual Property License Agreement between SPEEDCOM Wireless Corporation and SR
16.1(5) Letter on change of certifying accountant
23.1(5) Consent of Independent Certified Public Accountants
24.1(8) Powers of Attorney

(1) Incorporated by reference to the registrant's Definitive Proxy Statement dated May 2
(2) Incorporated by reference to the registrant's Registration Statement on Form SB-2 (F
SEC on June 24, 1996.

39

(3) Incorporated by reference to Amendment No. 1 to the registrant's Registration Statement
6711) filed with the SEC on July 31, 1996.
(4) Incorporated by reference to the Form 8-K filed October 11, 2000.
(5) Incorporated by reference to the Form 10-KSB filed April 17, 2001.
(6) Incorporated by reference to the Form 10-QSB filed May 14, 2001.
(7) Incorporated by reference to the Form 8-K filed July 2, 2001.
(8) Incorporated by reference to the Form S-3 filed September 18, 2001.
(9) Incorporated by reference to the Form 10-QSB filed November 14, 2001.

* Management contract or compensatory plan.

40