

SPEEDCOM WIRELESS CORP
Form 10QSB
November 22, 2004
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDING SEPTEMBER 30, 2004

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

(Name of Small Business Issuer in its Charter)

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Delaware
(State or Other Jurisdiction of Incorporation or Organization)

58-2044990
(I.R.S. Employer Identification No.)

7020 Professional Parkway East

Sarasota, FL 34240
(Address of Principal Executive Offices)

(941) 907-2361
(Issuer's Telephone Number, Including Area Code)

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

The number of shares of the issuer's common stock outstanding as of November 18, 2004 was 115,367,249.

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

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SPEEDCOM WIRELESS CORPORATION

FORM 10-QSB FOR THE PERIOD ENDED SEPTEMBER 30, 2004

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Table of Contents**PART 1. FINANCIAL INFORMATION****Item 1. Financial Statements****SPEEDCOM WIRELESS CORPORATION****BALANCE SHEETS**

| | September 30, 2004 | December 31, 2003 |
|---|-----------------------------|-----------------------------|
| | (unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash | \$ 10,191 | \$ 100 |
| Marketable securities | | 8,890,000 |
| Prepaid expenses and other current assets | | 75,000 |
| | <u> </u> | <u> </u> |
| Total assets | \$ 10,191 | \$ 8,965,100 |
| | <u> </u> | <u> </u> |
| Liabilities and stockholders (deficit) equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 134,968 | \$ 624,992 |
| Accrued expenses | 1,662 | 9,452 |
| Due to related parties | | 1,448,601 |
| Current portion of notes and capital leases payable | | 12,177 |
| | <u> </u> | <u> </u> |
| Total liabilities | 136,630 | 2,095,222 |
| Stockholders (deficit) equity: | | |
| Common stock, \$.001 par value, 500,000,000 shares authorized, 115,367,249 and 23,425,355 shares issued and outstanding in 2004 and 2003, respectively | 115,367 | 23,425 |
| Preferred stock, \$4.50 stock liquidation value per share, 10,000,000 shares authorized, 0 and 3,835,554 shares issued and outstanding in 2004 and 2003, respectively | | 5,455,702 |
| Additional paid-in capital | 25,706,145 | 18,597,310 |
| Accumulated deficit | (25,947,951) | (16,571,559) |
| Accumulated other comprehensive loss | | (635,000) |
| | <u> </u> | <u> </u> |
| Total stockholders (deficit) equity | (126,439) | 6,869,878 |
| | <u> </u> | <u> </u> |
| Total liabilities and stockholders (deficit) equity | \$ 10,191 | \$ 8,965,100 |
| | <u> </u> | <u> </u> |

See accompanying notes.

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SPEEDCOM WIRELESS CORPORATION

STATEMENTS OF OPERATIONS

(unaudited)

| | Three months ended | | Nine months ended | |
|---|--------------------|----------------|-------------------|----------------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Net revenues | \$ | \$ 1,272,908 | \$ | \$ 3,731,747 |
| Cost of goods sold | | 837,005 | | 2,418,795 |
| Gross margin | | 435,903 | | 1,312,952 |
| Operating expenses: | | | | |
| Salaries and related | | 509,655 | | 1,714,323 |
| General and administrative | 87,177 | 427,895 | 298,070 | 1,571,383 |
| Selling expenses | | 183,091 | | 586,037 |
| Provision for bad debt | | 28,078 | | 74,130 |
| Depreciation and amortization | | 175,741 | | 540,053 |
| Severance costs | | | | 90,000 |
| | 87,177 | 1,324,460 | 298,070 | 4,575,926 |
| Loss from operations | (87,177) | (888,557) | (298,070) | (3,262,974) |
| Other income (expense): | | | | |
| Interest expense | | (190,775) | (3,040) | (493,946) |
| Interest income | 5 | 449 | 17 | 8,665 |
| Loss on marketable securities | | | (4,475,542) | |
| Other (expense) income, net | | (22,094) | 291,832 | (25,757) |
| | 5 | (212,420) | (4,186,733) | (511,038) |
| Net loss | (87,172) | (1,100,977) | (4,484,803) | (3,774,012) |
| Cumulative undeclared dividends on preferred stock | | (251,570) | | (251,570) |
| Net loss attributable to common stockholders | \$ (87,172) | \$ (1,352,547) | \$ (4,484,803) | \$ (4,025,582) |
| Net loss per common share: | | | | |
| Basic and diluted | \$ (0.00) | \$ (0.09) | \$ (0.04) | \$ (0.28) |
| Shares used in computing basic and diluted net loss | 115,367,249 | 14,490,664 | 104,684,318 | 14,490,664 |

See accompanying notes.

Table of Contents**SPEEDCOM WIRELESS CORPORATION****STATEMENTS OF CHANGES IN STOCKHOLDERS (DEFICIT) EQUITY**

| | Common Stock Shares | Common Stock Amount | Preferred Stock Shares | Preferred Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Comprehensive Loss | Total |
|--|---------------------------|---------------------------|------------------------------|------------------------------|----------------------------------|------------------------|-----------------------|--------------|
| Balance at January 1, 2003 | 14,490,664 | \$ 14,490 | 3,835,554 | \$ 5,455,702 | \$ 17,800,749 | \$ (24,022,047) | | \$ (751,106) |
| Issuance of common stock for extinguishment of related party notes (see gain below) | 5,601,358 | 5,602 | | | 330,480 | | | 336,082 |
| Issuance of common stock for conversion of note payable | 3,333,333 | 3,333 | | | 130,000 | | | 133,333 |
| Unrealized losses on marketable securities | | | | | | | \$ (635,000) | (635,000) |
| Gain on exchange of debt of a related party | | | | | 336,081 | | | 336,081 |
| Net income | | | | | | 7,450,488 | | 7,450,488 |
| Balance at December 31, 2003 | 23,425,355 | 23,425 | 3,835,554 | 5,455,702 | 18,597,310 | (16,571,559) | (635,000) | 6,869,878 |
| Conversion of preferred stock, dividends and registration penalty to common stock | 76,868,961 | 76,869 | (3,835,554) | (5,455,702) | 5,542,802 | | | 163,969 |
| In-kind dividends distributed | | | | | | (4,891,589) | | (4,891,589) |
| Conversion of amounts due to related parties, accrued expenses, notes payable and accounts payable to common stock | 15,072,933 | 15,073 | | | 1,566,033 | | | 1,581,106 |
| Change in comprehensive loss | | | | | | | 635,000 | 635,000 |
| Net loss | | | | | | (4,484,803) | | (4,484,803) |
| Balance at September 30, 2004 | 115,367,249 | \$ 115,367 | | \$ | \$ 25,706,145 | \$ (25,947,951) | \$ | \$ (126,439) |

See accompanying notes.

Table of Contents**SPEEDCOM WIRELESS CORPORATION****STATEMENTS OF CASH FLOWS****(unaudited)**

| | Nine Months Ended | |
|--|--------------------------|----------------|
| | September 30, | |
| | 2004 | 2003 |
| Operating activities | | |
| Net loss | \$ (4,484,803) | \$ (3,774,012) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | | 540,053 |
| Provision for bad debt | | 74,130 |
| Loss on marketable securities | 4,475,542 | |
| Conversion inducement expense | 11,911 | |
| Gain on conversion of accounts payable, accrued expenses and notes into common stock | (239,558) | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | 153,035 |
| Leases receivable | | 144,244 |
| Inventories | | 709,303 |
| Prepaid expenses and other current assets | 65,205 | 36,611 |
| Other assets | | (111,003) |
| Accounts payable and accrued expenses | 23,925 | 11,883 |
| Deferred revenue | | 10,640 |
| Net cash used in operating activities | (147,778) | (2,205,116) |
| Investing activities | | |
| Purchases of equipment | | (60,138) |
| Proceeds from disposals of equipment | | 10,220 |
| Proceeds from sale of marketable securities | 157,869 | |
| Net cash provided by (used in) investing activities | 157,869 | (49,918) |
| Financing activities | | |
| Proceeds from loans from related parties | | 1,015,000 |
| Payments of loans from related parties | | (3,944) |
| Proceeds from issuance of notes | | 1,100,000 |
| Payments of notes and capital leases | | (19,621) |
| Net cash provided by financing activities | | 2,091,435 |
| Net increase (decrease) in cash | 10,091 | (163,599) |
| Cash at beginning of period | 100 | 346,361 |
| Cash at end of period | \$ 10,191 | \$ 182,762 |
| Supplemental disclosure of cash flow information | | |
| Conversion of accounts payable, notes payable and accrued expenses into common stock | \$ 524,121 | |
| Conversion of due to related parties into common stock | \$ 1,448,601 | |

In-kind dividends distributed

\$ 4,891,589

See accompanying notes.

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SPEEDCOM WIRELESS CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Business

SPEEDCOM Wireless Corporation (SPEEDCOM) was incorporated in Florida on March 16, 1994 and reincorporated in Delaware on September 26, 2000. Prior to the asset sale discussed in Note 2 below, SPEEDCOM manufactured, configured and delivered custom broadband wireless networking equipment, including the SPEEDLAN family of wireless Ethernet bridges and routers, for business and residential customers internationally. Subsequent to the asset sale, SPEEDCOM has no operating business and SPEEDCOM's management and Board of Directors have been focusing their efforts on exploring business combination opportunities.

2. P-Com, Inc. Transaction and Management's Plans

On December 10, 2003, SPEEDCOM sold its operating assets and transferred substantially all of its operating liabilities to P-Com, Inc. (P-Com) in exchange for 63,500,000 shares of P-Com common stock, plus a note receivable of \$75,000, of which all has been paid or credited through September 30, 2004. Following the asset sale, SPEEDCOM has no business operations and its only remaining asset is cash on hand.

The accompanying financial statements are prepared on a going-concern basis, which assumes that SPEEDCOM will realize its assets and discharge its liabilities in the normal course of business. As reflected in the accompanying financial statements, SPEEDCOM incurred operating losses of approximately \$298,000 and \$3,263,000 and negative cash flows from operations of approximately \$148,000 and \$2,205,000 for the nine months ended September 30, 2004 and 2003, respectively and had a working capital deficit of approximately \$126,000 as of September 30, 2004. In addition, SPEEDCOM's cash flows for the remainder of 2004 are currently projected to be insufficient to finance SPEEDCOM, without funding from other sources. These conditions raise substantial doubt as to the ability of SPEEDCOM to continue its normal business as a going concern.

Management's plans for this uncertainty include curtailing expenses and raising additional capital from external sources. In addition, management intends to use their best efforts to continue as a separate public entity and identify a merger candidate. There can be no assurance that management will be successful in these plans. Accordingly, the accompanying financial statements do not include any adjustments that may arise from the uncertainty surrounding SPEEDCOM's ability to continue as a going concern.

3. Basis of Presentation

The accompanying financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. The accompanying financial statements should be read in conjunction with SPEEDCOM's annual financial statements and notes thereto included in SPEEDCOM's Form 10-KSB.

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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. Operating results for the nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004.

4. Marketable Securities

SPEEDCOM accounts for marketable securities in accordance with Statement of Financial Accounting Standards No. 115, ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES. SPEEDCOM determines the proper classification of all marketable securities as held-to-maturity, available-for-sale, or trading at the time of purchase, and re-evaluates such classification as of each balance sheet date. During the nine months ended September 30, 2004, management distributed a substantial portion of the P-Com common stock to shareholders. All of the remaining P-Com common stock was sold during the nine months ended September 30,

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2004. Marketable securities were classified as available-for-sale, and as a result were reported at fair value. Unrealized gains and losses were reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses are reported as gain (loss) on marketable securities in the statements of operations. During the nine months ended September 30, 2004, SPEEDCOM sold 2,355,144 shares of P-Com common stock on the open market and distributed 61,144,856 shares to common stockholders, with respect to which aggregate realized losses of approximately \$4,476,000 are reported in the accompanying statements of operations.

Under Statement of Financial Accounting Standards No. 130, REPORTING COMPREHENSIVE INCOME (SFAS 130), SPEEDCOM is required to display comprehensive income and its components as part of its financial statements. The measurement and presentation of net income did not change. Comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes certain changes in equity of SPEEDCOM that are excluded from net income. Specifically, SFAS 130 requires unrealized gains and losses on SPEEDCOM's available-for-sale investments that were reported in stockholders' equity, to be included in accumulated other comprehensive income (loss). As of September 30, 2004, all of the P-Com common stock had been sold, and therefore all gains and losses realized. The closing per share market price of the P-Com common stock was \$0.15 on the effective date of the asset purchase agreement between SPEEDCOM and P-Com.

The following tabular presentation reflects the changes in SPEEDCOM's marketable securities:

| | Shares | Cost | Unrealized Loss | Realized Loss | Carrying Value |
|--------------------------------|--------------|--------------|--------------------|------------------|-------------------|
| Shares acquired | 63,500,000 | \$ 9,525,000 | | | \$ 9,525,000 |
| Unrealized loss for 2003 | | | \$ (635,000) | | (635,000) |
| Balances at December 31, 2003 | 63,500,000 | 9,525,000 | (635,000) | | 8,890,000 |
| Unrealized loss for the period | | | (3,840,542) | | (3,840,542) |
| In-kind distribution | (61,144,856) | (9,171,728) | | 4,280,140 | (4,891,588) |
| Sales of shares | (2,355,144) | (353,272) | | 195,402 | (157,870) |
| Balances at September 30, 2004 | | \$ | \$ (4,475,542) | \$ 4,475,542 | \$ |

5. Related Party Transactions*Due to Related Parties*

In January 2004, SPEEDCOM exchanged \$996,092 due to institutional investors who are shareholders for 8,300,768 shares of SPEEDCOM common stock (valued at trading market prices) resulting in a gain of approximately \$664,000. The gain was recorded as a component of paid-in-capital due to the related party nature of the exchange.

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As a stipulation of the preferred stock financing received in August 2001, SPEEDCOM was required to file and obtain SEC acceptance of a registration statement within a specified period of time or incur penalties. As a result of obtaining acceptance from the SEC nineteen days late, SPEEDCOM incurred a penalty of \$163,970, payable to the preferred stockholders. In February 2004, SPEEDCOM converted all of its 3,835,554 shares of preferred stock, dividends and registration penalty due to the preferred stockholders into 76,868,961 shares of SPEEDCOM common stock (valued at trading market prices) resulting in a gain of approximately \$2,161,000. The gain was recorded as a component of paid-in-capital due to the related party nature of the exchange.

In January 2002, SPEEDCOM entered into a financial relations and consultant contract whereby the consulting firm would receive a \$10,000 convertible note each month. This contract was cancelled in May 2002. The notes were convertible at any time at \$1.125 per common share. SPEEDCOM's Chief Financial Officer is the Managing Director of the consulting firm. During January 2004, SPEEDCOM converted the \$40,000 convertible note, plus \$75,000 of trade payables due to the consulting firm, into 958,333 shares of SPEEDCOM common stock (valued at trading market prices). SPEEDCOM recorded a gain of approximately \$77,000 in connection with this conversion, which was recorded as a component of paid-in-capital due to the related party nature of the exchange.

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As of December 31, 2003, SPEEDCOM had accrued severance expense and related interest of \$248,539 outstanding related to the separation agreements between SPEEDCOM and its former President and Chief Financial Officer. In January 2004, SPEEDCOM converted \$204,999 of accrued severance costs and \$43,540 of accrued interest into 2,071,159 shares of SPEEDCOM common stock. The shares were valued at the date of issuance using SPEEDCOM's trading market price, which resulted in a gain of approximately \$155,000. The gain was recorded as a component of paid-in-capital due to the related party nature of the exchange.

Related Party Interest Expense

Interest expense recorded during the nine months ended September 30, 2004 and 2003 related to related party notes, loans and other balances amounted to approximately \$0 and \$424,000, respectively. Interest expense recorded during the three months ended September 30, 2004 and 2003 related to related party notes, loans and other balances amounted to approximately \$0 and \$152,000, respectively.

6. Notes and Capital Leases Payable

A summary of notes and capital leases payable at December 31, 2003 is as follows:

| | |
|----------------------|---------------|
| Notes payable (a) | \$ 12,177 |
| | <u>12,177</u> |
| Less current portion | (12,177) |
| | <u>\$</u> |

- (a) In January 2004, SPEEDCOM converted a \$12,177 promissory note due to a former SPEEDCOM director into 101,475 shares of SPEEDCOM common stock, which resulted in a gain of approximately \$8,000.

7. Stockholders' Equity

SPEEDCOM's Board of Directors adopted resolutions and a majority of the stockholders approved such resolutions providing for a recapitalization pursuant to which the issued and outstanding shares of SPEEDCOM's common stock are to be reverse split, or consolidated, up to a 1-for-100 basis. As an example, if a 1-for-100 reverse stock split was implemented, stockholders will own one share of common stock for each 100 shares of common stock now held by the stockholder. As of November 18, 2004, the Board of Directors has not yet finalized the ratio of the reverse split.

These matters relate to common stock issuances and common stock warrant activity during the nine months ended September 30, 2004:

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During January and February 2004, and as discussed elsewhere in these notes, SPEEDCOM converted \$1,808,752 of amounts due to related parties, certain accrued expenses, notes payable and certain accounts payable into 15,072,933 shares of SPEEDCOM common stock. These transactions resulted in aggregate gains of approximately \$1,140,000. Approximately \$900,000 of these gains are recorded as a component of paid-in-capital due to the related party nature of the exchanges.

During February 2004, all of SPEEDCOM's preferred stockholders exchanged their 3,835,554 shares of preferred stock, dividends and registration penalty for 76,868,961 shares of SPEEDCOM common stock (valued at trading market prices). This transaction resulted in aggregate gains of approximately \$2,161,000 that is recorded in the period of exchange as a component of paid-in-capital due to the related party nature of the exchange.

During March 2004, SPEEDCOM distributed 61,144,856 shares of P-Com common stock to SPEEDCOM common shareholders as a form of dividend. The per share trading market price of the common stock of P-Com on the distribution date was \$0.08. The distribution was recorded at the fair value of the shares distributed based upon the trading market price.

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These matters relate to common stock issuances and common stock warrant activity during the nine months ended September 30, 2003:

Effective with the issuance of a convertible note to P-Com in March 2003, the conversion prices of SPEEDCOM's warrants that expire August 23, 2006 and June 11, 2006 was decreased to \$0.12, resulting in common shares of 8,162,836 issuable under these securities, if currently converted or exercised.

Employee Stock-Based Compensation

The following table reflects supplemental financial information related to stock-based employee compensation, as required by Statement of Financial Accounting Standards (SFAS) No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION TRANSITION AND DISCLOSURE :

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|----------------|-------------------|----------------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Net loss, as reported | \$ (87,172) | \$ (1,100,977) | \$ (4,484,803) | \$ (3,744,012) |
| Stock-based employee compensation costs that would have been included in the determination of net loss if the fair value method (Statement 123) had been applied to all awards | | (28,237) | | (84,711) |
| Unaudited pro forma net loss, as if the fair value method had been applied to all awards | \$ (87,172) | \$ (1,129,214) | \$ (4,484,803) | \$ (3,858,723) |
| Net loss per share, as reported | \$ (0.00) | \$ (0.08) | \$ (0.04) | \$ (0.26) |
| Unaudited pro forma net loss per share, as if the fair value method had been applied to all awards | \$ (0.00) | \$ (0.08) | \$ (0.04) | \$ (0.27) |

8. Commitments and Contingencies

On February 17, 2004, a lawsuit was filed in the State of New York against SPEEDCOM. The complaint alleges breach of an investment-banking contract dated June 19, 2001 between SPEEDCOM and the plaintiff. The plaintiff and SPEEDCOM have reached a verbal agreement regarding settlement of this dispute. On November 18, 2004 the court granted a two-week extension on the case for the parties to memorialize a settlement. Originally the plaintiff was seeking damages of approximately \$503,000 in connection with the contract. The financial statements include no adjustment or provision related to the foregoing matter, the ultimate outcome of which has not been finalized.

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As a result of the asset sale, P-Com assumed all operating leases of SPEEDCOM. However, to date the lessor of the former SPEEDCOM headquarters building has not assigned the lease to P-Com. SPEEDCOM is currently in the process of securing such assignment, and believes that such assignment is probable. In the unlikely event that the lease is not assigned, SPEEDCOM will continue to exercise its rights under the P-Com assumption of the liability.

SPEEDCOM utilized net tax operating loss carry forwards to offset regular Federal and State taxable income for the year ended December 31, 2003. The net tax asset associated with the net operating loss carry forwards had been fully reserved in previous reporting periods and, accordingly, there are no income taxes for the year ended December 31, 2003. For purposes of Federal Alternative Minimum Taxes (AMT), the utilization of AMT net operating loss carry forwards is generally limited to ninety percent of AMT taxable income. However, at the time of filing of SPEEDCOM's Annual Report for the year ended December 31, 2003, SPEEDCOM intended to qualify the sale to P-Com as a tax-free reorganization under Internal Revenue Code Section 368(a)(1)(C). Certain future actions by management may disqualify SPEEDCOM's ability to effect this exemption. If any such disqualifying actions are taken in future reporting periods, it is reasonably possible that SPEEDCOM may incur an AMT of approximately \$130,000. While management is currently reviewing all actions available to SPEEDCOM, no such actions that would disqualify the P-Com transaction as a tax-free reorganization are currently probable.

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9. Severance Costs

During the nine months ended September 30, 2003, SPEEDCOM recorded severance costs of \$90,000 in accordance with the separation agreement between SPEEDCOM and its former Vice President of Marketing and Product Development. The costs include severance pay to be paid over future periods.

10. Dividend Arrearages

Beginning August 23, 2003, SPEEDCOM's preferred stockholders were entitled to cumulative dividends at the rate of 14% per year times the \$3.38 (\$4.50 if paid in stock) per share liquidation preference. The cumulative, undeclared dividend in arrearage that the preferred stockholders were entitled to was \$251,570 and \$860,635 as of September 30, 2003 and December 31, 2003, respectively, assuming a stock payout. In February 2004, SPEEDCOM converted all of its 3,835,554 shares of preferred stock, dividends and registration penalty due to the preferred stockholders into 76,868,961 shares of SPEEDCOM common stock.

Item 2. Management's Discussion and Analysis

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 future operating results; developments in markets and strategic focus; and future economic, business and regulatory conditions. Such forward-looking statements are generally accompanied by words 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.

Sale to P-Com

On December 10, 2003, SPEEDCOM Wireless Corporation (SPEEDCOM) sold its operating assets and transferred substantially all of its operating liabilities to P-Com, Inc. (P-Com) in exchange for 63,500,000 shares of P-Com common stock, plus a note receivable of \$75,000, of which all has been paid or credited through September 30, 2004. Following the asset sale, SPEEDCOM has no business operations and its only remaining asset is cash on hand.

The quarterly financial statements are prepared on a going-concern basis, which assumes that SPEEDCOM will realize its assets and discharge its liabilities in the normal course of business. As reflected in the accompanying financial statements, SPEEDCOM incurred operating losses of approximately \$298,000 and \$3,263,000 and negative cash flows from operations of approximately \$148,000 and \$2,205,000 for the nine months ended September 30, 2004 and 2003, respectively and had a working capital deficit of approximately \$126,000 as of September 30, 2004. In addition, SPEEDCOM's cash flows for the remainder of 2004 are currently projected to be insufficient to finance SPEEDCOM, without funding from other sources. These conditions raise substantial doubt as to the ability of SPEEDCOM to continue its normal business as a going concern.

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Management's plans for this uncertainty include curtailing expenses and raising additional capital from external sources. In addition, management intends to use their best efforts to continue as a separate public entity and identify a merger candidate. There can be no assurance that management will be successful in these plans. Accordingly, the accompanying financial statements do not include any adjustments that may arise from the uncertainty surrounding SPEEDCOM's ability to continue as a going concern.

Results of Operations

On December 10, 2003, SPEEDCOM sold its operating assets and transferred substantially all of its operating liabilities to P-Com. Following this asset sale, SPEEDCOM is no longer in the business of manufacturing or selling broadband fixed wireless telecommunications equipment and has no business operations.

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Three Months Ended September 30, 2004 and September 30, 2003

Net revenues decreased from approximately \$1,263,000 for the three months ended September 30, 2003 to \$0 for the three months ended September 30, 2004. This decrease is due to SPEEDCOM selling its operating assets in December 2003.

Cost of goods sold decreased from approximately \$837,000 for the three months ended September 30, 2003 to \$0 for the three months ended September 30, 2004. This decrease is due to SPEEDCOM selling its operating assets in December 2003.

Salaries and related, general and administrative and selling expenses decreased from approximately \$1,121,000 for the three months ended September 30, 2003 to approximately \$87,000 for the three months ended September 30, 2004. This decrease is primarily due to the reduction in personnel and the total elimination of selling and research and development expenses due to SPEEDCOM selling its operating assets in December 2003.

Depreciation and amortization expense decreased from approximately \$176,000 for the three months ended September 30, 2003 to \$0 for the three months ended September 30, 2004 due to SPEEDCOM selling all of its operating assets in December 2003.

Interest expense decreased from approximately \$191,000 for the three months ended September 30, 2003 to \$0 for the three months ended September 30, 2004. This decrease is due to the conversion of all notes and amounts due to related parties into shares of SPEEDCOM common stock during the fourth quarter of 2003 and the first quarter of 2004.

Net loss per common share decreased from approximately (\$1,101,000), or (\$0.09) per common share, for the three months ended September 30, 2003 to approximately (\$87,000), or (\$0.00) per common share, for the three months ended September 30, 2004 as a result of the foregoing factors.

Beginning August 23, 2003, SPEEDCOM's preferred stockholders are entitled to dividends to be paid on conversion at the rate of 14% per year times the \$3.38 (\$4.50 if paid in stock) per share liquidation preference. The dividend that the preferred stockholders are entitled to for the three months ending September 30, 2003 is \$251,570, assuming a stock payout.

Nine Months Ended September 30, 2004 and September 30, 2003

Net revenues decreased from approximately \$3,732,000 for the nine months ended September 30, 2003 to \$0 for the nine months ended September 30, 2004. This decrease is due to SPEEDCOM selling its operating assets in December 2003.

Cost of goods sold decreased from approximately \$2,419,000 for the nine months ended September 30, 2003 to \$0 for the nine months ended September 30, 2004. This decrease is due to SPEEDCOM selling its operating assets in December 2003.

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Salaries and related, general and administrative and selling expenses decreased from approximately \$3,872,000 for the nine months ended September 30, 2003 to approximately \$298,000 for the nine months ended September 30, 2004. This decrease is primarily due to the reduction in personnel and the total elimination of selling and research and development expenses due to SPEEDCOM selling its operating assets in December 2003.

Depreciation and amortization expense decreased from approximately \$540,000 for the nine months ended September 30, 2003 to \$0 for the nine months ended September 30, 2004 due to SPEEDCOM selling all of its operating assets in December 2003.

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During the nine months ended September 30, 2003, SPEEDCOM recorded severance costs of \$90,000 in accordance with the separation agreement between SPEEDCOM and its former Vice President of Marketing and Product Development. The costs include severance pay to be paid over future periods.

Interest expense decreased from approximately \$494,000 for the nine months ended September 30, 2003 to approximately \$3,000 for the nine months ended September 30, 2004. This decrease is due to the conversion of all notes and amounts due to related parties into shares of SPEEDCOM common stock during the fourth quarter of 2003 and the first quarter of 2004.

Realized loss on marketable securities amounted to approximately \$4,476,000 for the nine months ended September 30, 2004. This loss is due to the market price decline of P-Com common stock from \$0.15 from the date of the asset sale to \$0.08 on the date of the dividend distribution and an average of \$0.07 on the various dates of sale of P-Com common stock made by SPEEDCOM in order to generate cash for the remaining overhead expenses of the company.

Other (expense) income, net increased from approximately (\$26,000) for the nine months ended September 30, 2003 to approximately \$292,000 for the nine months ended September 30, 2004 primarily due to the conversion of approximately \$1,809,000 of accounts payable, notes payable and accrued interest into 15,072,933 shares of SPEEDCOM common stock utilizing a conversion rate of \$0.12, which was higher than the market price of SPEEDCOM's common stock on the conversion dates, resulting in gains of approximately \$239,000. Other income also increased due to the write off of disputed trade payables of approximately \$72,000.

Net loss per common share increased from approximately (\$3,774,000), or (\$0.28) per common share, for the nine months ended September 30, 2003 to approximately (\$4,485,000), or (\$0.04) per common share, for the nine months ended September 30, 2004 as a result of the foregoing factors.

Beginning August 23, 2003, SPEEDCOM's preferred stockholders are entitled to dividends to be paid on conversion at the rate of 14% per year times the \$3.38 (\$4.50 if paid in stock) per share liquidation preference. The dividend that the preferred stockholders are entitled to for the nine months ending September 30, 2003 is \$251,570, assuming a stock payout.

Taxes

At September 30, 2004, SPEEDCOM had net operating loss carryforwards (NOLs) for federal income tax purposes of approximately \$15,000,000. The NOLs expire at various dates through the year 2023. Utilization of SPEEDCOM's net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitation could result in the expiration of the net operating loss before utilization.

SPEEDCOM utilized net tax operating loss carry forwards to offset regular Federal and State taxable income for the year ended December 31, 2003. The net tax asset associated with the net operating loss carry forwards had been fully reserved in previous reporting periods and, accordingly, there were no income taxes for the year ended December 31, 2003. For purposes of Federal Alternative Minimum Taxes (AMT), the utilization of AMT net operating loss carry forwards is generally limited to ninety percent of AMT taxable income. However, at the time of filing, SPEEDCOM intended to qualify the sale to P-Com as a tax-free reorganization under Internal Revenue Code Section 368(a)(1)(C). Certain future actions by management may disqualify SPEEDCOM's ability to effect this exemption. If any such disqualifying actions are taken

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in future reporting periods, it is reasonably possible that SPEEDCOM may incur an AMT of approximately \$130,000. While management is currently reviewing all actions available to SPEEDCOM, no such actions that would disqualify the P-Com transaction as a tax-free reorganization are currently probable.

Liquidity and Capital Resources

SPEEDCOM's financial statements are prepared on a going-concern basis, which assumes that SPEEDCOM will realize its assets and discharge its liabilities in the normal course of business. However, SPEEDCOM's cash flows for 2004 are currently projected to be insufficient to finance projected operations, without funding from other sources. These conditions raise substantial doubt as to the ability of SPEEDCOM to continue as a going concern.

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Management's plans for this uncertainty include curtailing expenses and raising additional capital from external sources. In addition, management intends to use their best efforts to continue as a separate public entity and identify a merger candidate. There can be no assurance that management will be successful in these plans. Accordingly, the accompanying financial statements do not include any adjustments that may arise from the uncertainty surrounding SPEEDCOM's ability to continue as a going concern.

During the nine months ended September 30, 2004, SPEEDCOM used approximately \$148,000 of cash for operating activities. This was primarily due to SPEEDCOM's net loss that amounted to approximately \$4,485,000 (approximately \$3,774,000 for the nine months ended September 30, 2003) and gain on conversion of accounts payable, accrued expenses and notes into common stock, partially offset by and the loss on marketable securities of approximately \$4,476,000 for the nine months ended September 30, 2004. Cash provided by investing activities amounted to approximately \$158,000 for the nine months ended September 30, 2004 (approximately (\$50,000) for the nine months ended September 30, 2003). SPEEDCOM does not have any commitments for capital expenditures or leasing commitments in the future. As of September 30, 2004, SPEEDCOM had cash of approximately \$10,000.

During the nine months ended September 30, 2003, SPEEDCOM used approximately \$2,205,000 of cash for operating activities. This was primarily due to SPEEDCOM's net loss for the period and increases in other assets partially offset by decreases in inventory, accounts receivable and leases receivable. SPEEDCOM purchased approximately \$60,000 of fixed assets during the nine months ended September 30, 2003 as compared to approximately \$10,000 during the same period in 2002. SPEEDCOM received approximately \$2,091,000 from its financing activities through proceeds from related party and third party loans.

Commitments and Off Balance Sheet Instruments

Rent expense under operating leases, amounted to approximately \$403,000 for the nine months ended September 30, 2003. SPEEDCOM does not have any future noncancellable lease payments under operating leases. All of SPEEDCOM's leases were assumed by P-Com per the asset sale.

During 2002 and 2003, SPEEDCOM entered into several payment plan agreements with vendors that set up monthly commitments by SPEEDCOM to pay off balances that were past due. The majority of these payment plan agreements were assumed by P-Com. SPEEDCOM's terms with most of its vendors are net 30. SPEEDCOM and P-Com are currently engaged in legal proceedings related to some of the defaults discussed above. None of these proceedings are expected to have a material effect on SPEEDCOM's business.

SPEEDCOM utilized net tax operating loss carry forwards to offset regular Federal and State taxable income for the year ended December 31, 2003. The net tax asset associated with the net operating loss carry forwards had been fully reserved in previous reporting periods and, accordingly, there were no income taxes for the year ended December 31, 2003. For purposes of AMT, the utilization of AMT net operating loss carry forwards is generally limited to ninety percent of AMT taxable income. However, at the time of filing, SPEEDCOM intended to qualify the sale to P-Com as a tax-free reorganization under Internal Revenue Code Section 368(a)(1)(C). Certain future actions by management may disqualify SPEEDCOM's ability to effect this exemption. If any such disqualifying actions are taken in future reporting periods, it is reasonably possible that SPEEDCOM may incur an AMT of approximately \$130,000. While management is currently reviewing all actions available to SPEEDCOM, no such actions that would disqualify the P-Com transaction as a tax-free reorganization are currently probable.

On February 17, 2004, a lawsuit was filed in the State of New York against SPEEDCOM. The complaint alleges breach of an investment-banking contract dated June 19, 2001 between SPEEDCOM and the plaintiff. The plaintiff and SPEEDCOM have reached a verbal agreement regarding settlement of this dispute. On November 18, 2004 the court granted a two-week extension on the case for the parties to

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memorialize a settlement. Originally the plaintiff was seeking damages of approximately \$503,000 in connection with the contract. The financial statements include no adjustment or provision related to the foregoing matter, the ultimate outcome of which has not been finalized.

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From time to time, SPEEDCOM is subjected to other litigation or proceedings, as either a plaintiff or defendant.

As a result of the asset sale, P-Com assumed all operating leases of SPEEDCOM. However, to date the lessor of the former SPEEDCOM headquarters building has not assigned the lease to P-Com. SPEEDCOM is currently in the process of securing such assignment, and believes that such assignment is probable. In the unlikely event that the lease is not assigned, SPEEDCOM will continue to exercise its rights under the P-Com assumption of the liability.

Item 3. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report, SPEEDCOM carried out an evaluation of the effectiveness of the design and operation of SPEEDCOM's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of SPEEDCOM's management, including SPEEDCOM's Chief Financial Officer, who concluded that SPEEDCOM's disclosure controls and procedures are effective. There have been no significant changes in SPEEDCOM's internal controls or in other factors, which could significantly affect internal controls subsequent to the date SPEEDCOM carried out its evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in SPEEDCOM's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in SPEEDCOM's reports filed under the Exchange Act is accumulated and communicated to management, including SPEEDCOM's Chief Financial Officer, to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On February 17, 2004, a lawsuit was filed in the State of New York against SPEEDCOM. The complaint alleges breach of an investment-banking contract dated June 19, 2001 between SPEEDCOM and the plaintiff. The plaintiff and SPEEDCOM have reached a verbal agreement regarding settlement of this dispute. On November 18, 2004 the court granted a two-week extension on the case for the parties to memorialize a settlement. Originally the plaintiff was seeking damages of approximately \$503,000 in connection with the contract. The financial statements include no adjustment or provision related to the foregoing matter, the ultimate outcome of which has not been finalized.

Item 2. Recent Sales of Unregistered Securities

During the three months ended September 30, 2004 SPEEDCOM 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

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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.

None.

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

None.

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

(a) Exhibits

The exhibits in the accompanying Exhibit Index are filed as part of this Quarterly Report on Form 10-QSB.

(b) Reports on Form 8-K

Form 8-K was filed August 19, 2004 regarding the change in SPEEDCOM's certifying accountant.

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/ Mark Schaftlein

Mark Schaftlein

Chief Financial Officer

and acting Chief Executive Officer

November 22, 2004

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Exhibit Index

| Number | Description |
|---------------|--|
| 2 | Plan of acquisition, reorganization, arrangement, liquidation, or succession. |
| 2.1(4) | Asset Purchase Agreement between SPEEDCOM Wireless Corporation and P-Com, Inc. |
| 3 | Articles of incorporation and bylaws. |
| 3.1(5) | Amended and Restated Certificate of Incorporation of SPEEDCOM Wireless Corporation. |
| 3.2(1) | Amended and Restated Bylaws of SPEEDCOM Wireless Corporation. |
| 4 | Instruments defining the rights of securities holders, including indentures. |
| 4.8(2) | Warrant No. W-1 to Purchase 146,667 Shares of Common Stock issued to S.A.C. Capital Associates, LLC. |
| 4.9(2) | Warrant No. W-2 to Purchase 73,333 Shares of Common Stock issued to SDS Merchant Fund, L.P. |
| 4.10(2) | Warrant No. W-3 to Purchase 220,000 Shares of Common Stock issued to Oscar Private Equity Investments, L.P. |
| 4.11(2) | Warrant No. W-4 to Purchase 73,333 Shares of Common Stock issued to Bruce Sanguinetti. |
| 4.12(3) | Purchase Agreement, dated August 23, 2001, by and among SPEEDCOM Wireless Corporation and the Purchasers, as defined. |
| 4.13(3) | Registration Rights Agreement, dated August 23, 2001, by and among SPEEDCOM Wireless Corporation and the Purchasers, as defined. |
| 4.14(3) | Form of Series A Warrant of SPEEDCOM Wireless Corporation dated August 23, 2001. |
| 31.1 | Certification pursuant to Sarbanes-Oxley Section 302. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350. |

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|-----|---|
| (1) | Incorporated by reference to the Form 10-QSB filed May 14, 2001. |
| (2) | Incorporated by reference to the Form 8-K filed July 2, 2001. |
| (3) | Incorporated by reference to the Form S-3 filed September 18, 2001. |
| (4) | Incorporated by reference to the Form 8-K filed June 17, 2003. |
| (5) | Incorporated by reference to the Form 8-K filed December 3, 2003. |