

SPEEDCOM WIRELESS CORP  
Form 10KSB  
April 15, 2005  
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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-KSB

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(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 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

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## 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)

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**Securities registered under Section 12(b) of the Exchange Act: None**

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

| <u>Title of Each Class:</u>               | <u>Name of Each Exchange on Which Registered:</u> |
|---|---|
| <b>Common Stock, \$0.001 par value</b>    | <b>None</b>                                       |
| <b>Preferred Stock, \$0.001 par value</b> | <b>None</b>                                       |
| <b>Class A Warrants</b>                   | <b>None</b>                                       |

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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

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the issuer'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.

The issuer's revenues for the most recent fiscal year ended December 31, 2004 were \$0.

The aggregate market value of the common stock held by non-affiliates computed by reference to the \$0.02 closing sales price on April 12, 2005 was \$2,743,280.

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act: Yes  No

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The number of shares of the issuer's common stock outstanding as of April 12, 2005 was 137,163,983.

The following documents are incorporated by reference: Items 9, 10, 11 and 12 hereof are incorporated by reference from the issuer's Schedule 14C to be filed with the SEC by April 30, 2004.

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

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**SPEEDCOM WIRELESS CORPORATION**

**FORM 10-KSB FOR THE PERIOD ENDED DECEMBER 31, 2004**

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As disclosed in a Form 8-K filed on December 12, 2003 with the Securities and Exchange Commission (SEC), SPEEDCOM Wireless Corporation (SPEEDCOM) sold substantially all of its assets and liabilities (Asset Sale) to P-Com, Inc. (P-Com). At the present time, SPEEDCOM has no operating business and SPEEDCOM's management and Board of Directors are exploring opportunities to effect an acquisition of SPEEDCOM by merger, exchange or issuance of securities or similar business combination. The description of SPEEDCOM's business set forth below provides a discussion of SPEEDCOM's past business and is not meant to describe SPEEDCOM's present operations or planned future operations.

*Company Overview*

SPEEDCOM is a Delaware corporation. Prior to the Asset Sale, SPEEDCOM manufactured, configured and delivered a variety of broadband fixed-wireless products, including its award winning SPEEDLAN family of wireless Ethernet bridges and routers. Internet service providers, telecommunications carriers and other service providers, and private organizations in the United States of America and more than 80 foreign countries worldwide, use SPEEDCOM's products to provide broadband last-mile wireless connectivity in various point-to-point and point-to-multipoint configurations at speeds up to 155 Megabits per second and distances up to 25 miles.

SPEEDCOM operated in a single dominant operating segment, as that term is defined in Statements on Financial Accounting Standards (SFAS) No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE.

SPEEDCOM sold its wireless broadband products in domestic and international markets through both an indirect channel of distributors, resellers and Original Equipment Manufacturers and a direct sales force. SPEEDCOM sold its products in over 80 countries, with international sales amounting to approximately 58% of SPEEDCOM's total 2003 revenues. The following table reflects revenues by geographic area:

| <u>Geographic Area</u>   | <u>2003</u> |
|--------------------------|-------------|
| North America            | 42%         |
| Africa                   | 8%          |
| Asia and the Pacific Rim | 17%         |
| Latin America            | 5%          |
| European Union           | 9%          |
| Other Foreign Areas      | 19%         |

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### *Business Strategy*

As discussed elsewhere in this report, because of 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. The Board has determined to maintain SPEEDCOM as a public shell corporation, which will seek suitable business combination opportunities. The Board believes that a business combination with an operating company has the potential to create a greater value for SPEEDCOM's stockholders than a liquidation or similar distribution.

### *Products*

SPEEDCOM offered a complete line of wireless broadband equipment. SPEEDCOM's high performance wireless bridge/router systems connected existing enterprise local area networks for point-to-point and point-to-multi-point, campus area, or metropolitan area networks. Within the product line, SPEEDCOM offered eight SPEEDLAN products, which used unlicensed radio frequencies to communicate at 11 Megabits per second at distances up to 25 miles, and two licensed microwave products, which used licensed radio frequencies to communicate at 52 or 155 Megabits per second at distances up to ten miles.

SPEEDCOM's research and development expenses during the fiscal years ended December 31, 2003 were approximately \$270,000.

### *Licensed Technology*

In January 2001, SPEEDCOM acquired worldwide rights to PacketHop, a wireless routing software developed by SRI International (SRI) for aggregate consideration of \$1,599,500. SRI received \$360,000 in cash and a total of 325,000 shares of common stock of SPEEDCOM that was issued in four tranches. Prior to the Asset Sale, the \$360,000 in cash and the value of the shares at the date of grant less amortization were classified in Intellectual property, net on the balance sheet, and were being amortized using the straight-line method over the six year term of the agreement.

In October 2003, SPEEDCOM acquired software from JDK Technology for \$50,000, to be paid over time, which was an enhancement to the PacketHop technology. Prior to the Asset Sale, the value of the software was classified in Intellectual property, net on the balance sheet and was being amortized using the straight-line method over the remaining life of the PacketHop technology.

### *Sales and Marketing*

Sales were generated through two primary means: direct sales to our larger strategic end customers and indirect sales through a distributor network consisting of telecommunications specialists who sold SPEEDCOM's products to a local or regional customer base, as well as provided post installation service, if any.



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SPEEDCOM recognized revenue for financial reporting purposes upon shipment of the products to the customer, including when a distributor was involved in the transaction. Customers could exchange or return merchandise within 30 days if the product was found to be non-functional upon delivery. SPEEDCOM accrued a provision for estimated returns, based upon its actual historical return experience, concurrent with revenue recognition. SPEEDCOM also derived revenue from extended maintenance agreements, for periods of one to three years. Revenue on extended maintenance agreements was deferred and recognized on a straight-line basis over the term of the agreement.

### *Customers*

No customer accounted for more than 10% of SPEEDCOM's revenue for the year ended December 31, 2003.

### *Employees*

As of December 31, 2004, SPEEDCOM did not have any employees. SPEEDCOM utilizes consultants to operate the shell business.

## **Item 2. Description of Property**

As of December 31, 2004, SPEEDCOM did not lease or own any property. SPEEDCOM is occupying space in P-Com's facility through the transition period of the Asset Sale and for use by SPEEDCOM's consultants.

## **Item 3. Legal Proceedings**

We are engaged from time to time in legal proceedings, none of which are expected to have a material effect on our business.

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

None.

## **PART II**

## **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 SPEEDCOM's common stock for the periods shown, as quoted on the OTC Bulletin Board. The quotations represent stock prices between dealers and do not include retail mark-up, markdown or commission and may not represent actual transactions.

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| 2004           | High    | Low      |
|----------------|---------|----------|
| First Quarter  | \$ 0.22 | \$ 0.025 |
| Second Quarter | \$ 0.04 | \$ 0.001 |
| Third Quarter  | \$ 0.02 | \$ 0.008 |
| Fourth Quarter | \$ 0.03 | \$ 0.006 |
|                |         |          |
| 2003           | High    | Low      |
| First Quarter  | \$ 0.06 | \$ 0.02  |
| Second Quarter | \$ 0.09 | \$ 0.03  |
| Third Quarter  | \$ 0.13 | \$ 0.05  |
| Fourth Quarter | \$ 0.08 | \$ 0.04  |

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

As of April 6, 2005 there were approximately 130 stockholders of record of SPEEDCOM's common stock.

*Securities Reserved for Issuance*

As of April 6, 2005 the following shares were reserved for issuance of common stock of SPEEDCOM:

|                           | Number of securities to be<br>issued upon exercise of<br>outstanding options,<br>warrants and rights | Weighted-average<br>exercise price of<br>outstanding options,<br>warrants and<br>rights |
|---------------------------|--|---|
| Stock Purchase Warrants   | 8,312,826  | \$ 0.26   |
| Stock Options outstanding | 1,161,892  | \$ 2.65   |
| <b>Total</b>              | <b>9,474,748</b>   | <b>\$ 0.52</b>  |

*Recent Sales of Unregistered Securities*

During the year ended December 31, 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 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.



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In December 2004, SPEEDCOM issued 5,000,000 shares of its common stock in exchange for settlement of leasing obligations valued at \$50,000. In December 2004, SPEEDCOM exchanged \$65,000 of accounts payable for 6,500,000 shares of its common stock.

Additionally, in January and February 2004, SPEEDCOM exchanged \$1,720,140 of due to related parties, accrued expenses, notes payable and accounts payable for 14,334,505 shares of its common stock.

In February 2004, SPEEDCOM exchanged all of its 3,835,554 shares of preferred stock, dividends and registration penalty for 76,868,961 shares of its common stock.

In March 2005, SPEEDCOM issued 8,162,837 shares of its common stock upon conversion of outstanding warrants.

**Item 6. 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 growth and future operating results; developments in markets and strategic focus; new products and product technologies; 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 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.

*Results of Operations*

The following table sets forth the percentage of net revenues represented by certain items in SPEEDCOM's statements of operations and comprehensive income for the periods indicated.

|                            | <u>Years Ended December 31,</u> |             |
|----------------------------|---------------------------------|-------------|
|                            | <u>2004</u>                     | <u>2003</u> |
| Net revenues               |                                 | 100%        |
| Cost of goods sold         |                                 | 66%         |
| <b>Gross margin</b>        |                                 | <b>34%</b>  |
| Operating expenses:        |                                 |             |
| Salaries and related       |                                 | 48%         |
| General and administrative |                                 | 49%         |

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|   |        |        |
|---|--------|--------|
| Selling expenses                                      |        | 16%    |
| Provision for bad debt                                |        | 2%     |
| Depreciation and amortization                         |        | 15%    |
| Severance costs                                       |        | 4%     |
|   | —      | —      |
|   |        | 134%   |
|   | —      | —      |
| Loss from operations                                  | (100%) | (100)% |
| Other (expense) income:                               |        |        |
| Interest expense                                      |        | (15)%  |
| Interest income                                       |        | 0%     |
| Loss on marketable securities                         |        |        |
| Gain on sale to P-Com                                 |        | 280%   |
| Other income (expense), net                           |        | 5%     |
|   | —      | —      |
|   |        | 270%   |
|   | —      | —      |
| Net income (loss)                                     |        | 170%   |
| Cumulative undeclared dividends on preferred stock    |        | (20)%  |
|   | —      | —      |
| Net income (loss) attributable to common stockholders |        | 150%   |
|   | —      | —      |

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*Fiscal 2004 Compared to Fiscal 2003*

Net revenues decreased from approximately \$4,381,000 for the year ended December 31, 2003 to \$0 for the year ended December 31, 2004. This decrease is due to SPEEDCOM selling its operations in December 2003.

Cost of goods sold decreased from approximately \$2,911,000 for the year ended December 31, 2003 to \$0 for the year ended December 31, 2004. This decrease is due to SPEEDCOM selling its operations in December 2003.

Salaries and related, general and administrative and selling expenses decreased from approximately \$4,642,000 for year ended December 30, 2003 to approximately \$404,000 the year ended December 31, 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 operations in December 2003.

Depreciation and amortization expense decreased from approximately \$660,000 for the year ended December 31, 2003 to \$0 for the year ended December 31, 2004 due to SPEEDCOM selling all of its operations in December 2003.

During the year ended December 31, 2003, SPEEDCOM recorded severance costs of \$170,000 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 \$653,000 for the year ended December 31, 2003 to approximately \$3,000 for the year ended December 31, 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 year ended December 31, 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.

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Other (expense) income, net increased from approximately (\$238,000) for the nine months ended September 30 year ended December 31, 2003 to approximately \$302,000 for year ended December 31, 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.

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 December 31, 2004, SPEEDCOM had net operating loss carryforwards (NOLs) for federal income tax purposes of approximately \$22,000,000. The NOLs expire at various dates through the year 2024. 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 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.

### *Taxes*

At December 31, 2004, SPEEDCOM had net operating loss carryforwards (NOLs) for federal income tax purposes of approximately \$22,000,000. The NOLs expire at various dates through the year 2024. 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.

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*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 has no operations and its cash flows for 2005 are currently projected to be insufficient to discharge its remaining liabilities, without funding from other sources. These conditions raise substantial doubt as to the ability of SPEEDCOM to continue 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.

During the year ended December 31, 2004, SPEEDCOM used approximately \$152,000 of cash for operating activities. This was primarily due to SPEEDCOM's operating loss that amounted to approximately \$3,742,690 for the year ended December 31, 2004 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 year ended December 31, 2004. Cash provided by investing activities amounted to approximately \$158,000 for the year ended December 31, 2004. SPEEDCOM does not have any commitments for capital expenditures or leasing commitments in the future. As of December 31, 2004, SPEEDCOM had cash of approximately \$5,600. Between January and March 2005, certain investors of SPEEDCOM have advanced SPEEDCOM funds in the amount of \$61,000 exchange for loans. In January 2005, \$21,339 of accounts payable was converted to equity.

During the year ended December 31, 2003, SPEEDCOM borrowed an aggregate \$2,928,000 from institutional investors who are shareholders. The loans had an interest rate of 15% and were payable December 31, 2003 (the maturity date was extended to June 30, 2004 subsequent to issuance). In October 2003, \$570,000 of these notes, plus accrued interest was converted into 5,601,358 shares of SPEECOM common stock. As part of the Asset Sale to P-Com, \$3,000,000 of these notes was assumed by P-Com, leaving a balance due of \$373,000, plus accrued interest. On December 31, 2003, SPEEDCOM converted the \$373,000, plus accrued interest of \$623,092, into three new notes, totaling \$996,092 utilizing the same terms as the previous \$373,000 notes. Also during the year ended December 31, 2003, SPEEDCOM borrowed \$1,580,000 from P-Com. The loans had an interest rate of 10% for the first six months and 13% for the remainder of the term of the notes. These notes were due March 21, 2005 (\$400,000), July 17, 2005 (\$300,000), August 8, 2005 (\$200,000), September 8, 2005 (\$50,000), September 16, 2005 (\$50,000), September 24, 2005 (\$50,000), September 30, 2005 (\$50,000), October 14, 2005 (\$130,000), October 22, 2005 (\$100,000), November 4, 2005 (\$100,000), November 21, 2005 (\$100,000) and December 5, 2005 (\$50,000). These notes were convertible at \$0.12 per common share. As part of the Asset Sale to P-Com, all but \$400,000 of these notes and accrued interest was forgiven. In December 2003, P-Com exchanged the \$400,000 of notes payable for 3,333,333 shares of SPEEDCOM common stock.



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### *Critical Accounting Policies*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We evaluate our estimates and judgments on an on-going basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what we anticipate and different assumptions or estimates about the future could change our reported results. We believe the following accounting policies are the most critical to us, in that they are important to the portrayal of our financial statements and they require our most difficult, subjective or complex judgments in the preparation of our financial statements:

**Valuation of Marketable Securities:** We value our investment in P-Com common stock in accordance with SFAS No. 105, DISCLOSURE OF INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK. We record all investments at fair value or amounts that approximate fair value. Where available, we use prices from independent sources such as listed market prices or broker or dealer price quotations. For investments in illiquid and privately held securities that do not have readily determinable fair values, we estimate the value of the securities based on available information. However, even where the value of a security is derived from an independent market price or broker or dealer quote, some assumptions may be required to determine the fair value. For example, we generally assume that the size of positions in securities that we hold would not be large enough to affect the quoted price of the securities when sold, and that any such sale would happen in an orderly manner. However, these assumptions may be incorrect and the actual value realized on sale could differ from the current carrying value.

We evaluate our investments for other-than-temporary decline in value on a periodic basis. This may exist when the fair value of an investment security has been below the current value for an extended period of time. As most of our investments are carried at fair value, if an other-than-temporary decline in value is determined to exist, the unrealized investment loss recorded net of tax in accumulated other comprehensive income is realized as a charge to net income (loss), in the period in which the other-than-temporary decline in value is determined. While we believe that we have accurately estimated the amount of other-than-temporary decline in value in our portfolio, different assumptions could result in changes to the recorded amounts in our financial statements.

**Revenue Recognition:** We recognized revenue on our wireless communications products in accordance with SEC Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS. Under these guidelines, we deferred revenue recognition on transactions if any of the following existed: persuasive evidence of an arrangement did not exist, title had not transferred, product payment was contingent upon performance of installation or service obligations, the price was not fixed or determinable, or payment was not reasonably assured. We accrued a provision for estimated returns concurrent with revenue recognition. In

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addition, we deferred revenue associated with long-term customer maintenance contracts. The value of these contracts was recognized on a straight-line basis over the length of the customer contract.

### *Commitments and Off Balance Sheet Instruments*

Rent expense under operating leases, amounted to approximately \$639,000 for the year ended December 31, 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 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.

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

#### **Our common stock price is volatile.**

Our common stock and the stock market in general have experienced significant price and volume fluctuations in recent years, 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. If such litigation were initiated against SPEEDCOM, that could result in substantial costs and divert management's attention.

#### **We are obligated to issue a substantial number of shares of our common stock upon exercise of warrants that are outstanding.**

Under the anti-dilution provisions of our warrants, if SPEEDCOM issues common stock or common stock equivalents at a purchase price, conversion price, or warrant or option exercise price that is less than the lesser of the current preferred stock conversion price of \$1.125 per share or the current market price, the conversion price of the warrants will be reduced using a customary weighted average basis formula. Under the anti-dilution provisions of 7,160,810 warrants (as adjusted) issued in August 2001, (1) the exercise price will be lowered to equal the purchase price, conversion price, or warrant or option exercise price for any common stock or common stock equivalent issued (other than to employees) at a purchase price, conversion price, or warrant or option exercise price less than the current per share exercise price of the applicable warrants (\$0.12 in the case of Series A Warrants), and (2) the number of warrants will be increased by the same percentage as the percentage by which the exercise price is reduced. Alternatively, (1) the exercise price will be reduced by the percentage by which the purchase price, conversion price, or warrant or option exercise price of any issued security (others than to employees) is less than the current market price of the common stock, and (2) the number of warrants will be increased by the same percentage as the percentage by which the exercise price

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is reduced, if this formula results in a lower exercise price than the adjustment described in the preceding sentence. Similar anti-dilution provisions apply to outstanding warrants to acquire 1,002,026 shares of our common stock (as adjusted) at an exercise price of \$0.12 per share. In March 2005, 8,162,837 warrants were converted into a like number of shares of SPEEDCOM's common stock.

**Our concentrated ownership structure means that our controlling stockholders could control the outcome of any stockholder vote.**

If the holders of our preferred stock elect to convert their preferred stock and exercise their warrants to shares of common stock, it will decrease the relative voting power of existing common stockholders and the preferred stockholders will control a majority of our common stock. In such event, the former preferred stockholders, in their capacity as common stockholders, would be in a position to control our company. Therefore, certain corporate actions, which the Board of Directors may deem advisable for the stockholders of SPEEDCOM as a whole, may not be approved by the common stockholders if submitted to a vote, unless the former preferred stock holders, in their capacity as common stockholders, approve the action.

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**Item 7. Financial Statements**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors

SPEEDCOM Wireless Corporation

We have audited the accompanying balance sheet of SPEEDCOM WIRELESS CORPORATION (A Development Stage Company) as of December 31, 2004, and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of SPEEDCOM WIRELESS CORPORATION as of December 31, 2003, were audited by other auditors whose report dated February 2, 2004, expressed an unqualified opinion on those statements and included an explanatory paragraph describing a going concern.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the Company at December 31, 2004, and the results of its operations and its cash flows for the year ended, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

De Leon & Company, P.A.

Pembroke Pines, Florida

April 1, 2005



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors

SPEEDCOM Wireless Corporation

We have audited the accompanying balance sheet of SPEEDCOM Wireless Corporation as of December 31, 2003 and the related statements of operations and comprehensive income, changes in stockholders' equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). 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 audit provides 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, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that SPEEDCOM Wireless Corporation will continue as a going concern. As more fully described in Note 2, the Company has incurred recurring operating losses and negative cash flows from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with respect to these conditions are also discussed in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Aidman, Piser & Company, P.A.

Tampa, Florida

February 2, 2004

**Table of Contents****SPEEDCOM WIRELESS CORPORATION****BALANCE SHEETS****(A Development Stage Enterprise)**

|  | <b>December 31,</b> |                     |
|--|---------------------|---------------------|
|  | <b>2004</b>         | <b>2003</b>         |
| <b>Assets</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash   | \$ 5,614            | \$ 100              |
| Marketable securities  |                     | 8,890,000           |
| Prepaid expenses and other current assets  |                     | 75,000              |
|  | <u>5,614</u>        | <u>8,965,100</u>    |
| Total current assets   | 5,614               | 8,965,100           |
|  | <u>\$ 5,614</u>     | <u>\$ 8,965,100</u> |
| <b>Liabilities and stockholders' equity (deficit)</b>  |                     |                     |
| Current liabilities:   |                     |                     |
| Accounts payable   | \$ 107,568          | \$ 624,992          |
| Accrued expenses   | 5,000               | 9,452               |
| Due to related parties   | 80,000              | 1,448,601           |
| Current portion of notes and capital leases payable  |                     | 12,177              |
|  | <u>192,568</u>      | <u>2,095,222</u>    |
| Total current liabilities  | 192,568             | 2,095,222           |
| Commitments and contingencies (Note 11)  |                     |                     |
| Stockholders' equity (deficit):  |                     |                     |
| Common stock, \$.001 par value, 500,000,000 and 250,000,000 shares authorized, 126,867,129 and 23,425,355 shares issued and outstanding in 2004 and 2003, respectively | 126,867             | 23,425              |
| Preferred stock, \$4.50 stock liquidation value per share, 10,000,000 shares authorized, 3,835,554 shares issued and outstanding in 2004 and 2003                      |                     | 5,455,702           |
| Additional paid-in capital   | 24,892,017          | 18,597,310          |
| Accumulated deficit  | (16,571,559)        | (16,571,559)        |
| Deficit accumulated during the development stage   | (8,634,279)         |                     |
|  | <u>(186,954)</u>    | <u>6,869,878</u>    |
| Accumulated other comprehensive loss   |                     | (635,000)           |
| Total stockholders' equity (deficit)   | (186,954)           | 6,869,878           |
|  | <u>\$ 5,614</u>     | <u>\$ 8,965,100</u> |
| Total liabilities and stockholders' equity (deficit)   | \$ 5,614            | \$ 8,965,100        |

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





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## SPEEDCOM WIRELESS CORPORATION

## STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(A Development Stage Enterprise)

|  | Years Ended December 31, |              | Inception to Date  |
|--|--------------------------|--------------|--|
|  | 2004                     | 2003         | from entering<br>Development<br>Stage January 1,<br>2004 to<br>December 31, 2004 |
| Net revenues                                       | \$                       | \$ 4,380,998 | \$   |
| Cost of goods sold                                 |                          | 2,910,657    |  |
| Gross margin                                       |                          | 1,470,341    |  |
| Operating expenses:                                |                          |              |  |
| Salaries and related                               |                          | 2,085,415    |  |
| General and administrative                         | 484,084                  | 2,172,650    | 484,084  |
| Selling expenses                                   |                          | 703,896      |  |
| Provision for bad debt                             |                          | 83,944       |  |
| Depreciation and amortization                      |                          | 659,541      |  |
| Severance costs                                    |                          | 170,000      |  |
|  | 484,084                  | 5,875,446    | 484,084  |
| Loss from operations                               | (484,084)                | (4,405,105)  | (484,084)  |
| Other (expense) income:                            |                          |              |  |
| Interest expense                                   | (3,040)                  | (653,064)    | (3,040)  |
| Interest income                                    | 17                       | 10,706       | 17   |
| Gain on sale to P-Com                              |                          | 12,259,875   |  |
| Gain on extinguishment of debt                     | 1,250,351                |              | 1,250,351  |
| Loss on marketable securities                      | (4,475,542)              |              | (4,475,542)  |
| Other income (expense), net                        | (30,392)                 | 238,076      | (30,392)   |
|  | (3,258,606)              | 11,855,593   | (3,258,606)  |
| Net income (loss)                                  | (3,742,690)              | 7,450,488    | (3,742,690)  |
| Cumulative undeclared dividends on preferred stock |                          | (860,635)    |  |
| Income (loss) attributable to common stockholders  | \$ (3,742,690)           | \$ 6,589,853 | \$ (3,742,690)   |
| Income (loss) per common share:                    |                          |              |  |
| Basic and diluted                                  | \$ (0.04)                | \$ 0.42      |  |

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|   |                             |                             |
|---|-----------------------------|-----------------------------|
| Shares used in computing basic and diluted income (loss) per common share | 107,883,587                 | 15,622,610                  |
|   | <u>                    </u> | <u>                    </u> |
| Comprehensive income (loss):  |                             |                             |
| Net income (loss)   | \$ (3,742,690)              | \$ 7,450,488                |
| Unrealized loss on marketable securities                                  |                             | (635,000)                   |
|   | <u>                    </u> | <u>                    </u> |
| Comprehensive income (loss)   | \$ (3,742,690)              | \$ 6,815,488                |
|   | <u>                    </u> | <u>                    </u> |

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

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

|   | Common<br>Stock<br>Shares | Common<br>Stock<br>Amount | Preferred<br>Stock<br>Shares | Preferred<br>Stock<br>Amount | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Deficit<br>accumulated<br>through<br>development<br>stage 1/1/04<br>to<br>12/31/04 | Comprehensive<br>Loss | Total        |
|---|---------------------------|---------------------------|------------------------------|------------------------------|----------------------------------|------------------------|--|-----------------------|--------------|
| Balance at<br>December 31,<br>2002  | 14,490,664                | \$ 14,490                 | 3,835,554                    | \$ 5,455,702                 | \$ 17,800,749                    | \$ (24,022,047)        |  |                       | \$ (751,106) |
| Issuance of<br>common stock<br>for<br>extinguishment<br>of related party<br>notes (see gain<br>below) | 5,601,358                 | 5,602                     |                              |                              | 330,480                          |                        |  |                       | 336,082      |
| Issuance of<br>common stock<br>for conversion<br>of note payable                                      | 3,333,333                 | 3,333                     |                              |                              | 130,000                          |                        |  |                       | 133,333      |
| Unrealized<br>losses on<br>marketable<br>securities   |                           |                           |                              |                              |                                  |                        |  | (635,000)             | (635,000)    |
| Gain on<br>exchange of<br>debt of a related<br>party  |                           |                           |                              |                              | 336,081                          |                        |  |                       | 336,081      |
| Net income  |                           |                           |                              |                              |                                  | 7,450,488              |  |                       | 7,450,488    |
| Balance at<br>December 31,<br>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<br>preferred stock,<br>dividends and<br>registration<br>penalty to<br>common stock      | 76,868,961                | 76,869                    | (3,835,554)                  | (5,455,702)                  | 5,542,802                        |                        |  |                       | 163,969      |
| In-kind<br>dividends<br>distributed   |                           |                           |                              |                              |                                  |                        | (4,891,589)  |                       | (4,891,589)  |
| Conversion of<br>amounts due to<br>related parties,<br>accrued  | 21,572,933                | 21,573                    |                              |                              | 706,905                          |                        |  |                       | 728,478      |

|  |             |            |    |        |               |                 |                |    |              |
|--|-------------|------------|----|--------|---------------|-----------------|----------------|----|--------------|
| expenses, notes payable and accounts payable to common stock |             |            |    |        |               |                 |                |    |              |
| Issuance of common stock as settlement of lease obligation   | 5,000,000   | 5,000      |    | 45,000 |               |                 |                |    | 50,000       |
| Change in comprehensive loss                                 |             |            |    |        |               |                 | 635,000        |    | 635,000      |
| Net loss   |             |            |    |        |               |                 | (3,742,690)    |    | (3,742,690)  |
| Balance at September 30, 2004                                | 126,867,249 | \$ 126,867 | \$ | \$     | \$ 24,892,017 | \$ (16,571,559) | \$ (8,634,279) | \$ | \$ (186,954) |

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

**Table of Contents****SPEEDCOM WIRELESS CORPORATION****STATEMENTS OF CASH FLOWS****(A Development Stage Enterprise)**

|  | Years ended December 31, |              | Inception to Date<br>from entering<br><br>Development<br><br>Stage January 1,<br>2004 to |
|--|--------------------------|--------------|--|
|  | 2004                     | 2003         | December 31, 2004  |
| <b>Operating activities</b>  |                          |              |  |
| Net income (loss)  | \$ (3,742,690)           | \$ 7,450,488 | \$ (3,742,690)   |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |                          |              |  |
| Depreciation and amortization  |                          | 659,541      |  |
| Gain on sale of business   |                          | (12,259,875) |  |
| Gain on conversion of notes to common stock  |                          | (266,667)    |  |
| Provision for bad debts  |                          | 83,944       |  |
| Loss on marketable securities  | 4,475,542                |              | 4,475,542  |
| Conversion inducement expense  | 11,911                   |              | 11,911   |
| Gain on conversion of accounts payable, accrued expenses and notes into common stock | (1,250,351)              |              | (1,250,351)  |
| Changes in operating assets and liabilities:   |                          |              |  |
| Accounts receivable  |                          | 239,157      |  |
| Leases receivable  |                          | 248,993      |  |
| Inventories  |                          | 703,227      |  |
| Prepaid expenses and other current assets  | 65,205                   | (9,512)      | 65,205   |
| Other assets   |                          | (109,303)    |  |
| Accounts payable and accrued expenses  | 208,028                  | 526,344      | 208,028  |
| Deferred revenue   |                          | (1,838)      |  |
|  |                          |              |  |
| Net cash used in operating activities  | (232,355)                | (2,735,501)  | (232,355)  |
| <b>Investing activities</b>  |                          |              |  |
| Cash transferred to buyer in connection with sale of business                        |                          | (126,866)    |  |
| Purchases of equipment   |                          | (60,138)     |  |
| Proceeds from disposals of equipment   |                          | 10,220       |  |
| Proceeds from sale of marketable securities  | 157,869                  |              | 157,869  |
|  |                          |              |  |
| Net cash used in investing activities  | 157,869                  | (176,784)    | 157,869  |
| <b>Financing activities</b>  |                          |              |  |
| Proceeds from loans from related parties   | 80,000                   | 1,015,000    | 80,000   |
| Payments of loans from related parties   |                          | (3,944)      |  |
| Proceeds from issuance of notes  |                          | 1,580,000    |  |
| Payments of notes and capital leases   |                          | (25,032)     |  |
|  |                          |              |  |
| Net cash provided by financing activities  | 80,000                   | 2,566,024    | 80,000   |
|  |                          |              |  |
| Net (decrease) increase in cash  | 5,514                    | (346,261)    | 5,514  |

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|                             |                 |                |                 |
|-----------------------------|-----------------|----------------|-----------------|
| Cash at beginning of period | <u>100</u>      | <u>346,361</u> | <u>100</u>      |
| Cash at end of period       | <u>\$ 5,614</u> | <u>\$ 100</u>  | <u>\$ 5,614</u> |

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

**Table of Contents****SPEEDCOM WIRELESS CORPORATION****STATEMENTS OF CASH FLOWS****(A Development Stage Enterprise)****(Continued)**

|   | <b>Years ended December 31,</b> |              |
|---|---------------------------------|--------------|
|   | <b>2004</b>                     | <b>2003</b>  |
| <b>Supplemental disclosure of cash flow information</b>   |                                 |              |
| Cash paid for interest  | \$ 3,040                        | \$ 16,338    |
| Conversion of accounts payable, notes payable and accrued expenses into common stock                              | \$ 639,121                      |              |
| Conversion of accounts payable and notes payable due related parties including accrued interest into common stock | \$ 1,448,601                    | \$ 1,072,163 |
| Settlement of lease dispute through issuance of common stock  | \$ 50,000                       |              |
| In-kind dividends distributed   | \$ 4,891,589                    |              |
| Sale of business in exchange for common stock of buyer recorded at market value                                   | \$                              | \$ 9,525,000 |

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

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**SPEEDCOM WIRELESS CORPORATION,**

**A Development Stage Enterprise**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2004 AND 2003

**1. Business**

SPEEDCOM was incorporated in Florida on March 16, 1994 and reincorporated in Delaware on September 26, 2000 ( SPEEDCOM or the Company ). Prior to the 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 sale, SPEEDCOM is a non-operating public shell company.

On January 1, 2004, the Company entered into a Development Stage Enterprise, due to the sale of its assets as discussed in Note 2 below. The company plans to operate as a Development Stage Enterprise until it is able to merge with another partner and will be able to assume operations of the partner.

**2. P-Com Transaction and Management s Plans**

On December 10, 2003, SPEEDCOM sold its operating assets (having a historical cost of approximately \$2,590,000) and transferred substantially all of its operating liabilities (having a carrying value of approximately \$5,250,000) to P-Com in exchange for 63,500,000 shares of P-Com common stock, having a market value of \$9,525,000 on the date the transaction was closed, plus a note receivable of \$75,000. Prior to the sale, P-Com had advanced \$1,580,000 in cash to SPEEDCOM of which \$1,180,000 was included in the gain on sale and \$400,000 was converted into 3,333,333 shares of SPEEDCOM s common stock. The sale resulted in a gain of approximately \$12,260,000 that was recognized in the period of sale. Following the sale, SPEEDCOM has no operations.

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. However, SPEEDCOM has no operations and its projected cash flows for 2005 are currently projected to be insufficient to discharge its remaining liabilities, without funding from other sources. These conditions raise substantial doubt as to the ability of SPEEDCOM to continue 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.



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**SPEEDCOM WIRELESS CORPORATION,**

**A Development Stage Enterprise**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**

**3. Summary of Significant Accounting Policies**

*Revenue Recognition*

SPEEDCOM derived its revenue from short-term (generally two to four weeks in duration) arrangements with customers to configure, assemble, and deliver wireless communications products. SPEEDCOM recognized revenue upon shipment of the products to the customer. Customers could exchange or return merchandise within 30 days if the product is found to be non-functional upon delivery. SPEEDCOM accrued a provision for estimated returns, based upon its actual historical return experience, concurrent with revenue recognition. SPEEDCOM also derived revenue from extended maintenance agreements, for periods of one to three years. Revenue on extended maintenance agreements was deferred and recognized on a straight-line basis over the term of the agreement. Shipping costs billed to customers were included in revenue; the related shipping costs were included in cost of goods sold.

*Concentrations*

Credit Risk: Financial instruments that are exposed to credit risk, as defined by SFAS No. 107, DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS, consisted principally of accounts receivable and leases receivable. These accounts were highly concentrated among foreign companies and companies in the telecommunications sector. Credit was extended to these customers based on management's evaluation of the individual customer's financial condition and generally collateral was not required. SPEEDCOM generally required prepayments or letters of credit from foreign customers to facilitate currency exchange and minimize credit risk.

Customers: No customer accounted for more than 10% of SPEEDCOM's revenue for the year ended December 31, 2003

Suppliers: Many of the key hardware and software components necessary for the assembly of SPEEDCOM's products were only available from a single supplier or from a limited number of suppliers. SPEEDCOM had experienced delays and shortages in the supply of components in the past. SPEEDCOM generally did not maintain a significant inventory of components and did not have many long-term supply contracts with its suppliers.

*Cash and Equivalents*

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The Company considers instruments having an original maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

### *Marketable Securities*

SPEEDCOM accounts for marketable securities in accordance with SFAS No. 115 ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES.

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**SPEEDCOM WIRELESS CORPORATION,**

**A Development Stage Enterprise**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**

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. Marketable securities at December 31, 2003 consisted of 63,500,000 shares of common stock of P-Com that were classified on that date 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.

*Impairments of Long-lived Assets*

SPEEDCOM reviewed long-lived assets to be held and used, consisting of property and equipment and intellectual property, for impairment whenever events or changes in circumstances indicated the asset may be impaired. In the event that the impairment indicators, including market or industry conditions or financial conditions, were identified, SPEEDCOM determined whether impairments were present by comparing the net book value of long-lived assets to projected undiscounted cash flows at the lowest discernable level for which cash flow information can be projected. In the event that undiscounted cash flows were insufficient to recover the net carrying value over the remaining useful lives, impairment charges were calculated and recorded in the period first estimable using discounted cash flows or other fair value information. During the periods presented, there were no material impairment charges.

*Financial Instruments*

SPEEDCOM's significant financial instruments include cash, accounts receivable, investment in marketable securities, accounts payable and notes payable. SPEEDCOM believes that the carrying values of financial instruments in the accompanying balance sheets approximate their respective fair values.

*Income Taxes*

SPEEDCOM 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. Valuation allowances against the carrying value of net deferred tax assets are recorded when management determines that recoverability of such amounts is not reasonably assured.

*Comprehensive Income (Loss)*

Under SFAS 130, REPORTING COMPREHENSIVE INCOME (SFAS 130), SPEEDCOM is required to display comprehensive income and its components as part of our 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

Table of Contents**SPEEDCOM WIRELESS CORPORATION,****A Development Stage Enterprise****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2004 AND 2003**

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 stockholder's equity, to be included in accumulated other comprehensive income.

*Stock Based Compensation*

SPEEDCOM accounts for employee stock-based compensation using the intrinsic method in accordance with Accounting Principles Board No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations. Accordingly, in cases where exercise prices for stock option grants equal or exceed the trading market value of the stock at the date of grant, SPEEDCOM recognizes no compensation expense. In cases where exercise prices are less than the fair value of the stock at the date of grant, compensation is recognized over the period of performance or the vesting period. SPEEDCOM accounts for non-employee stock-based compensation using the trading market price for common stock and the Black-Scholes valuation model for stock options and warrants, in accordance with SFAS No. 123, ACCOUNTING FOR STOCK BASED COMPENSATION (SFAS No. 123).

The following table reflects supplemental financial information related to stock-based employee compensation, as required by SFAS No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION TRANSITION AND DISCLOSURE.

|  | <u>2004</u>    | <u>2003</u>  |
|--|----------------|--------------|
| Stock-based employee compensation costs used in the determination of net income (loss) attributable to common stockholders, as reported  |                |              |
| Income (loss) attributable to common stockholders, as reported   | \$ (3,742,690) | \$ 6,589,853 |
| Stock-based employee compensation costs that would have been included in the determination of net income (loss) if the fair value method (SFAS No. 123) had been applied to all awards |                |              |
| Unaudited pro forma net income (loss) attributable to common stockholders, as if the fair value method had been applied to all awards  | \$ (3,742,690) | \$ 6,589,853 |
| Net income (loss) attributable to common stockholders per common share, as reported  | \$ (0.05)      | \$ 0.42      |
|  | \$ (0.05)      | \$ 0.42      |

Unaudited pro forma net income (loss) attributable to common stockholders per common share,  
as if the fair value method had been applied to all awards

*Advertising Costs*

SPEEDCOM's policy was to expense advertising costs as incurred. During the year ended December 31, 2003, SPEEDCOM incurred approximately \$56,000 in advertising expenses. Such amounts are included in selling expenses.

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**SPEEDCOM WIRELESS CORPORATION,**

**A Development Stage Enterprise**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**

*Research and Development Costs*

SPEEDCOM's policy was to expense all research and development expenses as incurred. Research and development expenses during the year ended December 31, 2003 totaled approximately \$270,000. Such amounts are included in general and administrative expenses.

*Net Income (Loss) Per Share*

SPEEDCOM has applied the provisions of SFAS No. 128, EARNINGS PER SHARE, which establishes standards for computing and presenting earnings (loss) per share. Basic earnings (loss) per share are 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.

*Use Of Estimates*

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

*Recent Accounting Pronouncements*

In December 2004, the FASB issued SFAS No. 153, EXCHANGES OF NONMONETARY ASSETS - AN AMENDMENT OF APB NO. 29 ACCOUNTING FOR NONMONETARY TRANSACTIONS, which is based on the opinion that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception of nonmonetary assets whose results are not expected to significantly change the future cash flows of the entity. The adoption of SFAS No. 153 is not expected to have any material impact on the Company's financial statements.

In December 2004, the FASB revised its SFAS No. 123 ( SFAS No. 123R ), SHARE-BASED PAYMENTS. The revision establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services, particularly transactions in which an

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entity obtains employee services in share-based payment transactions. The revised statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is to be recognized over the period during which the employee is required to provide service in exchange for the award. The provisions of the revised statement are effective for financial statements issued for the first interim or annual reporting period beginning after June 15, 2005, with early adoption encouraged. The Company is currently evaluating the methodology for adoption on the impending effective date.



**Table of Contents****SPEEDCOM WIRELESS CORPORATION,****A Development Stage Enterprise****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2004 AND 2003****4. Accrued Expenses**

A summary of accrued expenses at December 31, 2004 and 2003 is as follows:

|                  | <u>2004</u>     | <u>2003</u>     |
|------------------|-----------------|-----------------|
| Accrued interest |                 | 1,790           |
| Other            | 5,000           | 7,662           |
|                  | <u>\$ 5,000</u> | <u>\$ 9,452</u> |

**5. Related Party Transactions***Due to Related Parties*

During the year ended December 31, 2004, certain of SPEEDCOM's shareholders had loaned the Company \$80,000. The Company plans to repay these outstanding obligations through the issuance of common stock.

During the year ended December 31, 2003, SPEEDCOM borrowed an aggregate of \$2,928,000, under secured promissory notes from institutional investors who are shareholders. All tangible and intangible assets of SPEEDCOM secured the notes. The notes outstanding at December 31, 2003, had an interest rate of 15% and were payable December 31, 2003. Prepayment was permitted under the secured promissory notes with a 50% premium on the outstanding principal amount. In October 2003, SPEEDCOM converted \$570,000 of the notes payable that were due December 31, 2003, plus accrued interest of \$102,163, into 5,601,358 shares of SPEEDCOM common stock, which resulted in a gain of approximately \$336,000. Due to the related party nature of this exchange, the gain was recorded as a component of paid-in capital in the accompanying financial statements. As part of the Asset Sale described in Note 2, P-Com assumed an additional \$3,000,000 of these promissory notes. In December 2003, the maturity of the remaining \$373,000 of debt was extended to June 30, 2004. On December 31, 2003, SPEEDCOM converted the \$373,000, plus accrued interest of \$623,092, into three new notes, totaling \$996,092 utilizing the same terms as the previous \$373,000 notes. In January 2004, SPEEDCOM converted the remaining \$996,092 into 8,300,768 shares of SPEEDCOM common stock resulting in a gain of approximately \$664,000. The gain has been recorded as other income for the year ended December 31, 2004.

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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. The penalty was accrued during 2001 and is included in due to related parties at December 31, 2003 and 2002. 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.

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**SPEEDCOM WIRELESS CORPORATION,**

**A Development Stage Enterprise**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**

In January 2002, SPEEDCOM entered into a financial relations and consultant contract whereby the consulting firm will receive a \$10,000 convertible note each month. This contract was cancelled in May 2002. The notes are convertible at any time at \$1.125 per common share. As of December 31, 2003, the note holder possesses rights to convert the notes to 35,556 shares of restricted common stock. 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. SPEEDCOM recorded a gain of approximately \$77,000 in connection with this conversion, which will be recorded in the period of the exchange. In addition, in accordance with generally accepted accounting principles, SPEEDCOM has recorded an assumed dividend of approximately \$211,000 in the period of the exchange which equals the increase in the intrinsic value of the convertible note based on the incremental number of shares of common stock (297,778) that may be obtained on conversion of the convertible note into common stock valued at the price per share (\$0.71) on January 25, 2002, the original date of the note.

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 2,086,075 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 will be recorded in the period of the exchange.

*Related Party Interest Expense*

Interest expense recorded during the years ended December 31, 2004 and 2003 related to related party notes, loans and other balances amounted to approximately \$3,040 and \$518,000, respectively.

**6. Notes and Capital Leases Payable**

A summary of notes and capital leases payable at December 31, 2004 and 2003 is as follows:

|                           | <u>2004</u> | <u>2003</u>   |
|---------------------------|-------------|---------------|
| Notes Payable (a)         | \$          | \$ 12,177     |
| Capital lease obligations |             |               |
|                           |             | <u>12,177</u> |

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Less current portion |                   | 12,177            |
|                      | <u>          </u> | <u>          </u> |
|                      | <u>          </u> | <u>          </u> |
|                      | \$                | \$                |
|                      | <u>          </u> | <u>          </u> |

**Table of Contents****SPEEDCOM WIRELESS CORPORATION,****A Development Stage Enterprise****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2004 AND 2003**

During the year ended December 31, 2003, SPEEDCOM borrowed an aggregate of \$1,580,000 from P-Com. The loans had an interest rate of 10% for the first six months and 13% for the remainder of the term of the notes. These notes were due March 21, 2005 (\$400,000), July 17, 2005 (\$300,000), August 8, 2005 (\$200,000), September 8, 2005 (\$50,000), September 16, 2005 (\$50,000), September 24, 2005 (\$50,000), September 30, 2005 (\$50,000), October 14, 2005 (\$130,000), October 22, 2005 (\$100,000), November 4, 2005 (\$100,000), November 21, 2005 (\$100,000) and December 5, 2005 (\$50,000). These notes were convertible at \$0.12 per common share. As part of the Asset Sale to P-Com, all but \$400,000 of these notes and accrued interest was forgiven and included in the gain on the sale to P-Com. In December 2003, P-Com converted the \$400,000 of notes payable into 3,333,333 shares of SPEEDCOM common stock, which resulted in a gain of approximately \$267,000.

**7. Income Taxes**

SPEEDCOM utilized net tax operating loss carry forwards to offset regular Federal and State taxable income for the year ended December 31, 2004. 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, 2004. 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 intends 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.

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

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
| Tax expense (benefit) at U.S. statutory rate | 34.00%       | 34.00%       |
| State taxes, net of federal benefit          |              | 3.63         |
| Change in valuation allowance                | (34.05)      | (37.68)      |
| Other  | 0.05         | 0.05         |
|  | <u>0.00%</u> | <u>0.00%</u> |

Significant components of deferred tax assets and liabilities are as follows:

| 2004 | 2003 |
|------|------|
|------|------|

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|                                  |             |              |
|----------------------------------|-------------|--------------|
| Deferred tax assets:             |             |              |
| Net operating loss carryforwards | 7,495,131   | \$ 5,693,093 |
| Accounts receivable              |             |              |
| Intangible assets                |             |              |
| Deferred revenue                 |             |              |
| Accrued expenses                 | 5,000       | 77,141       |
| Other                            |             |              |
|                                  |             |              |
| Gross deferred tax assets        | 7,500,131   | 5,770,234    |
| Less: valuation allowance        | (7,500,131) | (5,770,234)  |
|                                  |             |              |
| Net deferred tax asset           | \$          | \$           |

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Accounting principles generally accepted in the United States of America 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, management has determined that a valuation allowance is necessary at December 31, 2004 and 2003 to fully offset the deferred tax asset.

At December 31, 2004, net operating losses available to be carried forward for federal income tax purposes are approximately \$22,000,000 expiring in various amounts from 2015 through 2024. Utilization of SPEEDCOM's net operating losses 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.

**8. Stockholders' Equity**

*Common Stock, Common Stock Warrants and Employee Stock Options*

Non-employee Common Stock Warrants:

As of December 31, 2004 and 2003, SPEEDCOM had the following warrants outstanding to purchase common stock of SPEEDCOM:

| <u>Number of Warrants</u> | <u>Expiration</u> | <u>Exercise</u> |
|---------------------------|-------------------|-----------------|
|                           | <u>Date</u>       | <u>Price</u>    |
| 7,160,810                 | 8/23/2006         | \$ 0.12         |
| 1,002,026                 | 6/11/2006         | \$ 0.12         |
| 150,000                   | 3/31/2006         | \$ 6.00         |

These matters relate to common stock issuances and common stock warrant activity during the year ended December 31, 2004:

Between January and December 2004, SPEEDCOM converted \$1,646,106 of amounts due to related parties, certain accrued expenses, notes payable and certain accounts payable into 21,572,933 shares of SPEEDCOM common stock. These transactions resulted in aggregate gains of

approximately \$1,157,187.

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.



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**DECEMBER 31, 2004 AND 2003**

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.

In December 2004, SPEEDCOM issued 5,000,000 shares of common stock as settlement of a lease dispute.

**These matters relate to common stock issuances and common stock warrant activity during the year ended December 31, 2003:**

Effective with the issuance of the convertible notes to P-Com discussed in Note 10, 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.

In October 2003, SPEEDCOM converted \$570,000 of notes payable that were due December 31, 2003, plus accrued interest of \$102,163, into 5,601,358 shares of SPEEDCOM common stock utilizing a conversion rate of \$0.12. SPEEDCOM recorded a gain on this conversion of approximately \$336,000.

In December 2003, SPEEDCOM converted \$400,000 of notes payable due to P-Com, into 3,333,333 shares of SPEEDCOM common stock utilizing a conversion rate of \$0.12. SPEEDCOM recorded a gain on this conversion of approximately \$267,000.

At December 31, 2004 and 2003, SPEEDCOM had 3,000,000 shares of common stock reserved for issuance under employee incentive stock bonus, purchase or option plans. 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 874,892 are outstanding outside these two plans to former executive officers. All full time employees were eligible for both plans. Plan 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, 2004 there were 2,713,000 shares unissued under both plans.

Employee stock option activity was as follows during the years ended December 31, 2004 and 2003:

**2004**

**2003**

|                               | Weighted Average |                | Weighted Average |                |
|-------------------------------|------------------|----------------|------------------|----------------|
|                               | Options          | Exercise Price | Options          | Exercise Price |
| Outstanding                   |                  |                |                  |                |
| Beginning of year             | 1,161,892        | \$ 2.65        | 2,954,876        | \$ 2.28        |
| Granted at market price       |                  |                |                  |                |
| Exercised                     |                  |                |                  |                |
| Expired or cancelled          |                  |                | (1,792,984)      | 2.03           |
| Outstanding end of year       | 1,161,892        | \$ 2.65        | 1,161,892        | \$ 2.65        |
| Exercisable as of December 31 | 1,161,892        | \$ 2.65        | 1,161,892        | \$ 2.65        |

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**DECEMBER 31, 2004 AND 2003**

The range of exercise prices of outstanding options at December 31, 2004 is \$0.26 through \$3.23. The weighted average remaining contractual life of the options as of December 31, 2004 and 2003 is 1.7 and 2.8 years, respectively.

Pro forma information regarding SPEEDCOM's stock option grants is presented in Note 3. The fair market value for these options was estimated at the date of grant using the Black-Scholes option-pricing model. 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, the volatility used was 1.26 and the risk free interest rate was assumed to be 2.96%. Because the options have a four-year vesting period, the pro forma effect shown 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.

*Antidilution Provisions*

Under the anti-dilution provisions of our preferred stock, if SPEEDCOM issues common stock or common stock equivalents at a purchase price, conversion price, or warrant or option exercise price that is less than the lesser of the current preferred stock conversion price of \$1.125 per share or the current market price, the conversion price of the preferred stock will be reduced using a customary weighted average basis formula. 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.

Under the anti-dilution provisions of 7,160,810 (as adjusted) warrants issued in August 2001, (1) the exercise price will be lowered to equal the purchase price, conversion price, or warrant or option exercise price for any common stock or common stock equivalent issued (other than to employees) at a purchase price, conversion price, or warrant or option exercise price less than the current per share exercise price of the applicable warrants (\$0.12 in the case of Series A Warrants), and (2) the number of warrants will be increased by the same percentage as the percentage by which the exercise price is reduced. Alternatively, (1) the exercise price will be reduced by the percentage by which the purchase price, conversion price, or warrant or option exercise price of any issued security (others than to employees) is less than the current market price of the common stock, and (2) the number of warrants will be increased by the same percentage as the percentage by which the exercise price is reduced, if this formula results in a lower exercise price than the adjustment described in the preceding sentence. Similar anti-dilution provisions apply to outstanding warrants to acquire 1,002,026 shares of our common stock (as adjusted) at an exercise price of \$0.12 per share.

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**SPEEDCOM WIRELESS CORPORATION,**

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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**

*Dividend Arrearages*

Beginning August 23, 2003, SPEEDCOM's preferred stockholders are 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 are entitled to as of December 31, 2003 is \$860,635, assuming a stock payout. No record date has been established for the dividend by SPEEDCOM's Board of Directors. 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.

**9. Leases**

Prior to the Asset Sale described in Note 2, SPEEDCOM leased office and manufacturing facilities and computer and office equipment under operating leases. Rent expense under operating leases amounted to approximately \$55,000 and \$802,000 for the years ended December 31, 2004 and 2003, respectively. SPEEDCOM does not have any future noncancellable lease payments under operating leases. Lease expense for the year ended December 31, 2004 includes \$5,000 of cash paid and payments satisfied with 5,000,000 shares of common stock valued at \$50,000.

All of SPEEDCOM's leases were assumed by P-Com per the Asset Sale.

**10. Employee Benefit Plan**

SPEEDCOM had established a 401(k) profit-sharing plan, which was terminated effective November 15, 2003. Employees 21 years or older were eligible to participate in the plan. Participants could elect to contribute, on a tax-deferred basis, up to the legal maximum of their compensation. SPEEDCOM contributed 25% matching after an employee had been with SPEEDCOM for 90 days. SPEEDCOM's contributions to the plan were approximately \$24,000 year ended December 31, 2003.

**11. Severance Costs**

During the year ended December 31, 2003, SPEEDCOM recorded severance costs of \$170,000 in accordance with the separation agreements between SPEEDCOM and its former Vice President of Marketing and Product Development, its former Vice President of Finance and Accounting and its former Director of International Sales. Per the Asset Sale, these liabilities were assumed by P-Com.

**12. Segment and Geographic Information**

*Revenue*

No single customer accounted for 10% or more of SPEEDCOM's revenue for the years ended December 31, 2004 or 2003.

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**SPEEDCOM WIRELESS CORPORATION,**

**A Development Stage Enterprise**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**

SPEEDCOM operated during all periods in a single operating segment when applying the management approach defined in SFAS No. 131, DISCLOSURES ABOUT SEGMENTS.

SPEEDCOM's business and principal operations are domiciled in North America. SPEEDCOM 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 58% and 46% of total revenues for the years ended December 31, 2003 and 2002, respectively. During 2003, 17% and 19% of SPEEDCOM's revenues were derived from customers located in Asia and the Middle East, respectively. During 2002, 11% and 14% of SPEEDCOM's revenues were derived from customers located in Asia and Africa, respectively. No other foreign geographic area contributed 10% or greater of total revenues for 2003 or 2002. SPEEDCOM has no significant property in any foreign geographic area.

**13. Subsequent Events**

In January 2005, SPEEDCOM converted \$21,338.97 of amounts due into 2,133,897 shares of common stock.

In January 2005, the Company settled with B-Com for \$7,500 as payment in full for \$37,500 in accounts payable. The Company will record a gain of \$30,000 related to this settlement in the period that the settlement was reached.

In March 2005, the Company issued 8,162,837 shares of its common stock in connection with the conversion of 8,162,837 warrants.

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### **Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

In a letter dated August 18, 2004, Aidman, Piser & Company, P.A. who had served as independent auditors of SPEEDCOM Wireless Corporation (the Registrant ), resigned from its engagement with the Registrant.

During the two most recent fiscal years preceding the resignation no report of Aidman, Piser & Company, P.A. on the Registrant's financial statements contained an adverse opinion or a disclaimer of opinion, nor was one qualified as to uncertainty, audit scope, or accounting principles, except as described in the following sentence. However, during the two most recent fiscal years preceding the resignation the reports of Aidman, Piser & Company were modified to express substantial doubt about the ability of the Company to continue as a going concern.

During the two most recent fiscal years preceding the resignation and the subsequent interim period through the date of the resignation, there were no disagreements with Aidman, Piser & Company, P.A. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Aidman, Piser & Company, P.A., would have caused Aidman, Piser & Company, P.A. to make a reference to the subject matter of the disagreements in connection with its report.

Aidman, Piser & Company, P.A. did not advise the Registrant at any time during the two most recent fiscal years and the subsequent interim period through the date hereof that the Registrant did not have the internal controls necessary for the preparation of reliable financial statements.

On February 10, 2005, SPEEDCOM Wireless Corporation's board of directors approved the engagement of De Leon & Company, P.A. as SPEEDCOM's independent auditors. No outstanding matters were discussed with De Leon & Company, P.A. prior to their engagement.

## **PART III**

### **Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act**

The information required by this Item 9 is incorporated by reference from the section captioned Directors, Executive Officers, Promoters and Control Persons of the Schedule 14C.

### **Item 10. Executive Compensation**

The information required by this Item 10 is incorporated by reference from the section captioned Executive Compensation of the Schedule 14C.

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**Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item 11 is incorporated by reference from the section captioned Security Ownership of Certain Beneficial Owners and Management of the Schedule 14C.

**Item 12. Certain Relationships and Related Transactions**

The information required by this Item 12 is incorporated by reference from the section captioned Certain Relationships and Related Transactions of the Schedule 14C.

**Item 13. Exhibits**

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

**Item 14. 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.

**The following table sets forth the fees billed to the Company for professional services rendered by the Company's principal accountant, for the year ended December 31, 2004 and December 31, 2003:**

| <u>Services</u> | <u>2004</u> | <u>2003</u> |
|-----------------|-------------|-------------|
|-----------------|-------------|-------------|



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|                    |           |           |
|--------------------|-----------|-----------|
| Audit fees         | \$ 15,761 | \$ 17,261 |
| Audit related fees | 11,000    |           |
| Tax fees           |           | 4,700     |
| All other fees     |           |           |
| Total fees         | \$ 26,761 | \$ 21,961 |

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**Audit fees consist of fees for the audit of the Company's annual financial statements or services that are normally provided in connection with the statutory and regulatory filings.**

**Tax fees included tax planning and various taxation matters that were approved in advance by our board of directors.**

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 Chief Financial Officer and acting April 14, 2005

Mark Schaftlein Chief Executive Officer

**Exhibit Index**

| <b>Number</b> | <b>Description</b>   |
|---------------|--|
| 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.   |
| 4.15(3)       | Form of Series B Warrant of SPEEDCOM Wireless Corporation dated August 23, 2001.   |
| 4.16(3)       | Settlement Agreement between SPEEDCOM Wireless Corporation and I.W. Miller Group, Inc. dated June 25, 2001.                          |
| 4.81          | Secured Promissory Note dated December 31, 2003 between SPEEDCOM Wireless Corporation and North Sound Legacy Institutional Fund LLC. |
| 4.82          | Secured Promissory Note dated December 31, 2003 between SPEEDCOM Wireless Corporation and North Sound Legacy International LTD.      |



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|      |  |
|------|--|
| 4.83 | Secured Promissory Note dated December 31, 2003 between SPEEDCOM Wireless Corporation and North Sound Legacy Fund LLC.                         |
| 4.84 | Form of Promissory Note dated April 13, 2005 in the amount of \$40,000 issued between SPEEDCOM and two separate and individual note holders(6) |
| 4.85 | Form of Promissory Note dated April 13, 2005 in the amount of \$6,500 issued between SPEEDCOM and two separate and individual note holders(6)  |
| 4.86 | Form of Promissory Note dated April 13, 2005 in the amount of \$25,000 issued between SPEEDCOM and two separate and individual note holders(6) |
| 23.1 | Consent of Certified Public Accountants(6)   |
| 31.1 | Certification pursuant to Sarbanes-Oxley Section 302(6)  |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350(6)  |

- 
- (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.
  - (6) Filed as an exhibit to this report on Form 10K-SB for the year ended December 31, 2004