SPEEDUS COM INC
Form 10-Q
November 14, 2001

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

FORM 10-Q

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

For the quarterly period ended September 30, 2001

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: 000-27582

SPEEDUS.COM, Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-3853788
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
140 58th Street, Suite 7E Brooklyn, New York	11220
(Address of principal executive offices)	(Zip Code)

718-567-4300
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

The number of outstanding shares of the registrant's common stock, par value $.01 per share, as of November 2, 2001 was 19,298,106.

SPEEDUS.COM, Inc.

INDEX TO FORM 10-Q

Page(s)

PART I -- FINANCIAL INFORMATION

ITEM 1 -- Financial Statements

Consolidated Balance Sheets as of September 30, 2001 (unaudited) and December 31, 2000....3

Consolidated Statements of Operations (unaudited) for the Three and Nine Months Ended September 30, 2001 and 2000....4

Consolidated Statements of Cash Flows (unaudited) for the Three and Nine Months Ended September 30, 2001 and 2000....5

Notes to Consolidated Financial Statements (unaudited)....6-7

ITEM 2 -- Management's Discussion and Analysis of Financial Condition and Results of Operations....8-11

ITEM 3 -- Quantitative and Qualitative Disclosures About Market Risk....11

PART II -- OTHER INFORMATION

ITEM 1 -- Legal Proceedings....12

ITEM 2 -- Changes in Securities....12

ITEM 3 -- Defaults Upon Senior Securities....12

ITEM 4 -- Submission of Matters to a Vote of Security Holders....12

ITEM 5 -- Other Information....12

ITEM 6 -- Exhibits and Reports on Form 8-K....12

Signature Page....13

ITEM 1. Financial Statements

SPEEDUS.COM, Inc.
CONSOLIDATED BALANCE SHEETS

	September 30, 2001 (unaudited)	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,919,352	$ 38,594,815
Marketable securities	29,648	68,166
Due from broker	8,549,947	624,790
Prepaid expenses and other	--	62,098
Due from affiliates	93,112	93,112
Accounts and other receivables	317,968	94,816
Total current assets	47,910,027	39,537,797

Property and equipment, net of accumulated depreciation of $9,319,069 and $9,198,902	6,942,347	8,659,977
Goodwill, net of accumulated amortization of $3,000,391 and $1,185,724	4,234,222	6,048,889
Other intangible assets, net of accumulated amortization of $359,107 and $173,214	2,010,893	2,196,786
Other assets	645,918	1,184,735
Total assets	$ 61,743,407	$ 57,628,184
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 258,181	$ 270,202
Accrued liabilities	1,608,962	1,532,542
Securities sold and not purchased	6,872,825	952,032
Other current liabilities	11,333	18,005
Total current liabilities	8,751,301	2,772,781
Commitments and Contingencies	--	--
Stockholders' equity:		
Common stock ($.01 par value; 40,000,000 shares authorized; 21,384,838 and 21,034,838 shares issued)	213,848	210,348
Preferred stock ($.01 par value; 20,000,000 shares authorized):		
Series A Junior Participating ($.01 par value; 4,000 shares authorized; no shares issued and outstanding)	--	--
Additional paid-in-capital	90,289,432	90,292,432
Treasury stock (at cost; 1,982,332 and 309,800 shares)	(1,635,772)	(305,741)
Accumulated deficit	(35,875,402)	(35,341,636)
Stockholders' equity	52,992,106	54,855,403
Total liabilities and stockholders' equity	$ 61,743,407	$ 57,628,184

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

SPEEDUS.COM, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Nine Mont
	September 30,		Septemb
	2001	2000	2001
Revenues	$ 19,891	$ 19,601	$ 66,272

Expenses:			
Selling, general and administrative	966,156	1,480,137	3,967,330
Research and development	379,674	409,087	1,307,879
Depreciation and amortization	1,334,809	1,421,937	4,119,103
Total operating expenses	2,680,639	3,311,161	9,394,312
Operating loss	(2,660,748)	(3,291,560)	(9,328,040)
Investment income	3,239,555	487,691	8,877,866
Equity in loss of associated company	(42,990)	--	(83,592)
Settlement of litigation	--	(282,500)	--
Interest expense	--	(1,729)	--
Other income	--	99,856	--
Net earnings/(loss)	$ 535,817	$ (2,988,242)	$ (533,766)
Per share:			
Basic earnings/(loss) per common share	$ 0.03	$ (0.14)	$ (0.03)
Weighted average common shares outstanding	19,998,290	20,971,360	20,165,860
Diluted earnings/(loss) per common share	$ 0.03	$ (0.14)	$ (0.03)
Weighted average common shares outstanding	20,005,002	20,971,360	20,165,860

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

SPEEDUS.COM, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30,	
	2001	2000
Cash flows from operating activities:		
Net loss	$ (533,766)	$ (6,397,113)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Depreciation and amortization	4,119,103	3,026,578
Stock based compensation	653,000	250,500
Equity in loss of associated company	83,592	569,782
Settlement of litigation	--	282,500
Changes in assets and liabilities:		
Marketable securities	38,518	(236,648)
Due from broker	(7,925,157)	(559,773)

Prepaid expenses and other	62,098	(67,719)
Accounts and other receivables	(223,152)	(80,737)
Other assets	2,225	(19,042)
Accounts payable	(12,021)	8,638
Accrued liabilities	76,420	168,302
Securities sold and not purchased	5,920,793	903,876
Other current liabilities	(6,672)	(39,505)
Net cash provided by/(used in) operating activities	2,254,981	(2,190,361)
Cash flows from investing activities:		
Investment in associated companies	(200,000)	(1,035,843)
Property and equipment additions	(400,913)	(1,426,365)
Intangible assets	--	(570,000)
Net cash used in investing activities	(600,913)	(3,032,208)
Cash flows from financing activities:		
Repurchase of stock	(1,330,031)	--
Proceeds from exercise of stock options or warrants	500	1,433
Repayment of notes payable	--	(168,750)
Net cash used in financing activities	(1,329,531)	(167,317)
Net increase/(decrease) in cash and cash equivalents	324,537	(5,389,886)
Cash and cash equivalents, beginning of period	38,594,815	44,613,101
Cash and cash equivalents, end of period	$ 38,919,352	$ 39,223,215
Supplemental Cash Flow Disclosures:		
Cash paid for interest during the period	$ --	$ 11,991
Non cash transactions:		
Common stock issued for intangible assets	$ --	$ 1,800,000
Common stock issued/contingently issuable for acquisitions	$ --	$ 6,729,171

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

SPEEDUS.COM, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of SPEEDUS.COM, Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements do not include all information and notes required by generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the Company's 2000 audited consolidated financial statements and notes thereto on Form 10-K.

Operating results for the three and nine months ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

Marketable Securities

All marketable securities are defined as trading securities under the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." At September 30, 2001, marketable securities consisted of publicly traded equity securities and were recorded at fair market value. Their original cost was $621,000, unrealized holding period losses were $591,000 and the carrying value was $30,000.

During the nine months ended September 30, 2001 and 2000, realized gains in the amounts of $7,608,000 and $246,000, respectively, were recorded and are included in 'Investment income' in the consolidated statements of operations.

Securities sold but not purchased

The Company may sell equity securities it does not own in anticipation of declines in the fair market values of the securities. When the Company effects such transactions, it must borrow the securities it sold in order to deliver them and settle the trades. The amounts shown on the consolidated balance sheet as 'Securities sold but not purchased' represent the value of these securities at fair market value. At September 30, 2001, the Company had sold securities it had not purchased. The aggregate proceeds were $7,678,000, unrealized holding period gains were $805,000 and the market value of the securities was $6,873,000.

Revenue Recognition

The Company earns commissions from carriers through the sale and activation of wireless phones. In accordance with the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", these revenues and associated costs are deferred due to cancellation privileges and chargebacks from carriers.

Earnings Per Share

Basic and diluted loss per common share are determined in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share".

For the quarter ended September 30, 2001, the weighted average common shares for diluted earnings per share were determined by adding weighted average shares in the amount of 6,712 for the assumed exercise of stock options to the weighted average shares outstanding for basic earnings per share for a total of 20,005,002 weighted average shares outstanding for diluted earnings per share. For the quarter ended September 30, 2000 and the nine months ended September 30, 2001 and 2000, stock options and warrants have been excluded from the diluted loss per share since their effect would be antidilutive.

Research and Development Costs

Research and development costs are expensed as incurred.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation.

2. Acquisition and Investment in Associated Company

a. On June 30, 2000, the Company purchased the remaining 55% interest in Speedia, LLC that it did not already own. The Company issued an aggregate of 950,000 shares of its Common Stock to Speedia's selling shareholders, Starpoint Solutions, Inc. (formerly TIS Worldwide, Inc.) and Daniel Doyon (collectively, the "Sellers").

This acquisition was accounted for using the purchase method of accounting. The results of operations of Speedia have been included in the consolidated statements of operations for the periods subsequent to June 30, 2000. The excess of the purchase price, valued at approximately $6.8 million (including the value of contingent shares, as discussed below), over the fair value of the net assets acquired was approximately $7.2 million which has been recorded as goodwill and is being amortized over a period of 3 years.

The purchase contract obligated the Company to issue in the aggregate an additional 183,334 shares of its Common Stock to the Sellers at December 31, 2000 since 90% of VisionStar Incorporated was not effectively contributed to the Company within 6 months from June 30, 2000. VisionStar, a company whose majority shareholder is Shant S. Hovnanian, a co-founder and Chairman and Chief Executive Officer of the Company, holds a license from the FCC, granted in May 1997, to construct, launch and operate a Ka-band telecommunications satellite positioned over the continental United States. A Special Committee of the Company's Board of Directors was evaluating Mr. Hovnanian's offer for the contribution of his interest in VisionStar to the Company. On September 22, 2000, the Company announced that discussions on the offer of Mr. Hovnanian have been terminated.

The purchase contract also obligated the Company to issue in the aggregate an additional 183,334 shares of its Common Stock to the Sellers if the Company's share price did not reach $10 per share within 180 days from February 9, 2001.

Unaudited pro forma operating results of the Company for the nine months ended September 30, 2000, as though the acquisition of SPEEDIA had occurred on January 1, 2000, with adjustment to give effect to the amortization of goodwill, are as follows:

Revenues	$	101,978
Operating loss	$	(9,933,102)
Net loss	$	(8,097,618)
Basic and diluted net loss per share	$	(0.39)

b. In January 2001, the Company and Siemens Corporate Research, Inc., a subsidiary of Siemens Corporation, co-invested in a new company, Zargis Medical Corp. Zargis was formed to develop and market advanced diagnostic decision support products and services for primary care physicians and other Healthcare professionals. Speedia Wireless, a wholly owned subsidiary of the Company, has signed an exclusive contract with Zargis to design and develop the wireless applications for Zargis, as well as provide transaction processing to support the commercial rollout of Zargis' cardiac diagnostic products.

3. Stockholders' Equity

On January 11, 2001, the Company's Board of Directors adopted a stockholder rights plan in which preferred stock purchase rights (the "Rights") will be distributed as a dividend at the rate of one Right for each share of the Company's Common Stock.

Each Right generally will entitle stockholders, in certain circumstances, to buy one one-ten thousandth of a newly issued share of Series A Junior Participating Preferred Stock of the Company at an exercise price of $50.00. The Rights generally will be exercisable and transferable apart from the Common Stock only if a person or group acquires beneficial ownership of 17% or more of the Common Stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 17% or more of the Common Stock.

If any person becomes the beneficial owner of 17% or more of the Company's Common Stock, then each Right not owned by a 17% or more stockholder or certain related parties will entitle its holder to purchase, at the right's then-current exercise price, shares of Common Stock (or, in certain circumstances as determined by the Board, cash, other property, or other securities) having a value of twice the Right's exercise price. In addition, if, after any person has become a 17% or more stockholder, the Company is involved in a merger or other business combination transaction with another person in which its Common Stock is changed or converted, or sells 50% or more of its assets or earning power to another person, each Right will entitle its holder to purchase, at the Right's then-current exercise price, shares of common stock of such other person having a value of twice the Right's exercise price.

The Company will generally be entitled to redeem the Rights at $.01 per Right at any time until the tenth day following public disclosure that a person or group has become the beneficial owner of 17% or more of the Company's common stock. The Rights will expire on January 26, 2011.

4. Legal Proceedings

The Company is subject to various claims and proceedings that occur in the ordinary course of business. The Company believes it has substantial defenses to a material portion of these claims and is prepared to pursue litigation if a reasonable and structured settlement cannot be reached with the parties. Based on information currently available, the Company believes that none of these current claims or proceedings, either individually or in the aggregate, will have a material effect on its business.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the corresponding discussion and analysis included in the Company's Report on Form 10-K for the year ended December 31, 2000.

Information Relating to Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Form 10-Q contain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the

"Exchange Act"). These statements appear in a number of places in this Form 10-Q and include statements regarding the intent, belief or current expectations of the Company or its officers with respect to, among other things, the ability of the Company to make capital expenditures, the ability to incur additional debt, as necessary, to service and repay such debt, if any, as well as other factors that may effect the Company's financial condition or results of operations. Forward-looking statements may include, but are not limited to, projections of revenues, income or losses, capital expenditures, plans for future operations, financing needs or plans, compliance with covenants in loan agreements, plans for liquidation or sale of assets or businesses, plans relating to products or services of the Company, assessments of materiality, predictions of future events, and the ability to obtain additional financing, including the Company's ability to meet obligations as they become due, and other pending and possible litigation, as well as assumptions relating to the foregoing. All statements in this Form 10-Q regarding industry prospects and the Company's financial position are forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Operations

We are developing and providing wireless data services that enable and enhance the use of Internet-based content on mobile devices. We have expanded our wireless data services to include products and services that enable businesses to communicate efficiently and effectively with their mobile workforce and customers in real time through a wide variety of mobile computing and communications devices. We also own fixed wireless spectrum in the New York City metropolitan area that we may commercialize in the future to support high-speed, or broadband, Internet access service.

We changed our business focus in November 1998, terminating our subscription television service. Since changing our focus, we have yet to generate any revenue from our wireless data products and services business. Since 1999, our only significant source of revenue was $550,000 received from XO Communications, Inc. as discussed below. The balance of revenues in 1999 and through the first half of 2001, generally subscriber fees from our pilot program for high-speed Internet service and co-hosting revenues from the use of our Data Center, have not been material. Future revenues from this and our mobile wireless business are uncertain.

In January 2001, we co-invested with Siemens Corporate Research, Inc., a subsidiary of Siemens Corporation, in a new company, Zargis Medical Corp. Zargis Medical is building a service that will target primary care physicians who would use the Zargis Medical technology service as part of general medical examinations that, according to the National Center for Health Statistics, totaled 46 million in 1999 for the US alone. Some of the major next steps remaining for Zargis Medical include completion of the database technology, clinical trials, FDA approval, marketing and roll-out, along with logical additional strategic partnerships. Speedia Wireless, a wholly owned subsidiary of the Company, has signed an exclusive contract with Zargis Medical to design and develop the wireless applications and systems integration for Zargis Medical, as well as provide transaction processing to support the commericial roll-out of Zargis Medical's cardiac diagnostic products.

In August 2001, we launched 007Phones.com, an e-commerce portal designed to provide consumers and businesses with an easy-to-use, online method of researching and purchasing wireless phones and carrier services. Through our relationships with national wireless carriers, we are able to offer several carrier networks and dozens of phone options. In addition, we see an opportunity to create custom private label versions of the 007phones.com portal for businesses with high traffic Internet sites. We are still in the testing phase of this portal and unsure if it will ever become profitable. If successful, 007phones.com should give us the opportunity to develop additional revenues from the wireless messaging services developed through Speedia, our wholly owned subsidiary.

We have generated operating losses and negative operating cash flows since our inception and expect to continue to do so in the future.

From 1992 until November 1998, we operated a 49-channel analog subscription television service utilizing 1,300 MHz of spectrum under a LMDS license from the FCC. The FCC commercial operating license was awarded to us in recognition of our efforts in developing and deploying LMDS technology, and for spearheading its regulatory approval at the FCC. In September 1997, our pioneer LMDS license was renewed as a standard LMDS license through February 1, 2006. The license provides that the spectrum may be used for a wide variety of fixed wireless purposes, including wireless local loop telephony, high-speed Internet access and two-way teleconferencing. The license covered 1,150 MHz of spectrum in the 28 GHz range encompassing the New York Primary Metropolitan Statistical Area, a region which includes the five boroughs of New York City as well as the New York Counties of Westchester, Rockland, and Putnam. Under FCC authorization, the license includes an additional 150 MHz of spectrum until the first Ka band satellite is launched, an event which is not expected to occur prior to 2002.

In November 1998, we assigned an 850 MHz portion of our license to WinStar Communications, Inc. as an alternative source of financing that was needed at the time. In connection with this assignment, we terminated our subscription television service because we no longer had sufficient spectrum to deliver those services. As a result, while we were able to repay, repurchase and redeem debt (in the aggregate amount of approximately $11.2 million) and preferred stock (approximately $4.6 million) in connection with the 1998 assignment as required under those indentures and substantially strengthen our financial position, we eliminated the only source

8

of revenues that we had at the time. In October 1999, we assigned a 150Mhz portion of our license to XO. From July 1999 to October 1999, pending regulatory approval of the license assignment, XO made monthly payments of approximately $172,000 to us. We are an emerging growth company with no certainty as to the amount of future cash flows from operations.

Currently, we are also conducting a limited pilot program of our SPEED(sm) broadband super high-speed Internet service and, at September 30, 2001, had less than 100 subscribers. A full marketing effort will not commence until new LMDS equipment becomes commercially available with cost and performance that allow implementation of SPEED(sm) service on an economically attractive basis. We cannot determine when this will occur and this equipment may never be available to us on this basis. Revenues from our high-speed Internet service would consist of subscriber fees, as well as the sales and installations of modems; however, the pricing structure of the service could change in response to market and other competitive conditions. Revenues to date from these sources have not been material. We estimate that the total annual cost of the pilot program is approximately $500,000.

Nine and Three Months Ended September 30, 2001 Compared to Nine and Three Months Ended September 30, 2000

Revenues decreased $12,000 from $78,000 for the nine months ended September 30, 2000 to $66,000 for the nine months ended September 30, 2001. These revenues reflect the early results of the Company's pilot program to connect its first Internet subscribers and co-hosting revenues from use of the Company's Data Center. The Company intends to continue this pilot program until a final determination can be made on the availability of equipment on an economically attractive basis. We cannot determine when this will occur and this equipment may never be available to us on this basis. We estimate that the total annual cost of the pilot program is approximately $500,000.

Selling, general and administrative expenses increased $192,000 from $3,775,000 for the nine months ended September 30, 2000 to $3,967,000 for the nine months ended September 30, 2001 and decreased $514,000 from $1,480,000 for the three months ended September 30, 2000 to $966,000 for the three months ended September 30, 2001. The increase for the nine month periods is primarily attributable to the June 30, 2000 acquisition of the remaining 55% interest in Speedia, a facilities-based wireless application service provider, which the Company did not already own. This acquisition was accounted for using the purchase method of accounting. The results of operations of Speedia are included in the consolidated statements of operations beginning with the quarter ended September 30, 2000. Selling, general and administrative expenses also increased due to increases in compensation expense as a result of additions to senior management and the Company's Portal. The decrease for the three month periods is primarily a result of decreases in stock based compensation and legal expenses.

Research and development expenses increased $369,000 from $939,000 for the nine months ended September 30, 2000 to $1,308,000 for the nine months ended September 30, 2001 and decreased $29,000 from $ 409,000 for the three months ended September 30, 2000 to $380,000 for the three months ended September 30, 2001. The increase for the nine month periods is primarily attributable to the June 30, 2000 acquisition of the remaining 55% interest in Speedia, as discussed above. The decrease for the three month periods is primarily a result of staff reductions.

Depreciation and amortization increased $1,092,000 from $3,027,000 for the nine months ended September 30, 2000 to $4,119,000 for the nine months ended September 30, 2001 and decreased $87,000 from $1,422,000 for the three months ended September 30, 2000 to $1,335,000 for the three months ended September 30, 2001. Amortization of the goodwill resulting from the Speedia acquisition on June 30, 2000 discussed above was $1,815,000 and $605,000 for the nine and three months ended June 30, 2001, respectively. This goodwill is being amortized over a period of three years. The net increase in depreciation and amortization for the nine month periods was offset by, and the decrease for the three month periods was primarily caused by, certain fixed assets having become fully depreciated.

Investment income increased $6,852,000 from $2,026,000 for the nine months ended September 30, 2000 to $8,878,000 for the nine months ended September 30, 2001 and increased $ 2,752,000 from $488,000 for the three months ended September 30, 2000 to $3,240,000 for the three months ended September 30, 2001. Realized gain/(loss) increased $7,362,000 from net gains of $246,000 for the nine months ended September 30, 2000 to net gains of $7,608,000 for the nine months ended September 30, 2001 and increased $1,058,000 from net gains of $67,000 for the three months ended September 30, 2000 to net gains of $1,125,000 for the three months ended September 30, 2001. $4,610,000 of the net gains realized in the nine months ended September 30, 2001 were previously recognized as unrealized gains in the six months ended June 30, 2001. The increase for the three months ended September 30, 2001 compared to the three months ended September 30, 2000 was also a result of $1,314,000 in net unrealized gains recognized in the three months ended September 30, 2001 compared to unrealized losses of $233,000 for the three months ended September 30, 2000. Investment gains or losses will fluctuate based upon changes in the market value of the underlying investments and are not necessarily indicative of the results that may be expected for any future periods.

Equity in loss decreased $486,000 from $570,000 for the nine months ended September 30, 2000 to $84,000 for the nine months ended September 30, 2001. Equity in loss amounted to $43,000 for the three months ended September 30, 2001. The 2000

period primarily reflects the Company's 45% interest in Speedia's operations, accounted for under the equity method. As discussed above, subsequent to June 30, 2000, upon the acquisition of the remaining 55% interest in Speedia, the results of operations of Speedia are included in the consolidated statements of operations. The 2001 period reflects the Company's current 50% interest in Zargis Medical Corp.'s operations, accounted for under the equity method. In January 2001, the Company and Siemens Corporate Research, Inc., a subsidiary of Siemens Corporation, acquired equal stakes in Zargis, formerly Sound Diagnostics, Inc., as a result of their seed funding of Zargis. Zargis was formed to develop and market advanced diagnostic decision support products and services for primary care physicians and other Healthcare professionals. Zargis is currently focusing on technology to assist the primary care physician in the detection of valvular heart disease, by identifying cases that might otherwise go undetected and by improving the recognition of innocent heart murmurs, thereby reducing the number of unnecessary referrals for more expensive diagnostic evaluations. Speedia has signed an exclusive contract with Zargis to design and develop the wireless applications, as well as provide transaction processing to support the commercial rollout of Zargis' cardiac diagnostic products.

During the nine and three months ended September 30, 2000, the Company recognized an expense in the amount of $282,500 from the settlement of litigation. No such amounts were recorded for the nine and three months ended September 30, 2001.

During the nine and three months ended September 30, 2000, the Company recognized other income in the amount of $100,000 from negotiating settlements with vendors and others. No such amounts were recorded for the nine and three months ended September 30, 2001.

Liquidity and Capital Resources

The Company has recorded operating losses and negative operating cash flows in each year of its operations since inception, primarily due to the start-up costs in connection with the commercial roll-out of the Company's system, slower than anticipated consumer acceptance of the Company's now terminated subscription television services and expenses incurred in connection with the LMDS rulemaking proceeding.

The Company believes that consummation of the spectrum assignments in November 1998 and October 1999 for net proceeds of approximately $15.5 million and $19.8 million, respectively, after the repayment and repurchase of debt (in the aggregate amount of approximately $11.2 million) and redemption of preferred stock (approximately $4.6 million) in connection with the 1998 assignment as required under those indentures and the sale of Common Stock in July 1999 for net proceeds of approximately $19.8 million have provided sufficient liquidity to finance its current level of operations and expected capital requirements through the 2002 fiscal year. However, the Company does not expect to have a positive operating cash flow until such time as it substantially increases its

Internet customer base and/or forms a strategic alliance for use of its Internet capabilities in the future. We cannot predict when this will occur. We have no material non-cancelable commitments and the amount of future capital funding requirements will depend on a number of factors that we cannot quantify, including the success of our business, the extent to which we expand our high-speed Internet service if suitable equipment becomes available and the types of services we offer, as well as other factors that are not within our control, including competitive conditions, government regulatory developments and capital costs.

Internet broadcast stations used in our pilot high-speed Internet service had an original cost of approximately $500,000 each. Until new equipment becomes available, if at all, we cannot predict whether new broadcast stations would be necessary or what they would cost at that time. Our wireless data services for mobile devices business is more adaptable for future growth and future capital funding requirements would generally not be material.

Generally, our wireless data services will be priced based on the amount of ongoing service usage that our customers utilize, either in the form of a monthly fee for each registered user, or a fee for each wireless transaction that is delivered through our services. Additionally, there are initial set-up fees that will vary greatly depending on the amount of time and materials that we incur in tailoring the services for each customer.

Our selling costs will increase as we market these products. However, most of the costs associated with our wireless data services are labor related and these costs will only be incurred as new business is signed. The hardware cost associated with maintaining the services will not increase significantly with added customers.

The lack of additional capital in the future could have a material adverse effect on the Company's financial condition, operating results and prospects for growth.

Recent Accounting Pronouncements

In July 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" were issued requiring business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and broadening the criteria for recording intangible assets separate from goodwill. Recorded goodwill and intangibles will be evaluated against this new criterion and may result in certain intangibles being included into goodwill, or alternatively, amounts initially recorded as goodwill may be separately identified and recognized apart from goodwill. FAS No. 142 requires the use of a nonamortization approach to account for purchased goodwill and certain intangibles. Under a nonamortization approach, goodwill and certain intangibles will not be amortized into results of operations, but instead would be reviewed for impairment and charged against results of operations only in the periods in which the

recorded value of goodwill and certain intangibles is more than its fair value. As required, on January 1, 2001 we will adopt the provisions of each statement that apply to goodwill and intangible assets acquired prior to June 30, 2001. The adoption of these accounting standards is expected to reduce our amortization of goodwill and intangible assets commencing January 1, 2002; however, impairment reviews will be required and would result in future periodic write-downs if the recorded value of goodwill and certain intangibles is more than its fair value.

In August 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" was issued. FAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. FAS No. 143 is effective January 1, 2003 for the Company. In addition, in August 2001, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", was issued. SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. SFAS No. 144 retains the requirement of Accounting Principles Board Opinion No. 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. SFAS No. 144 is effective January 1, 2002 for the Company. We are currently evaluating the impact of these statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's financial instruments at September 30, 2001 consist primarily of cash equivalents, which are subject to interest rate risk, and marketable securities and securities sold and not repurchased, which are subject to equity price risk.

The carrying value of cash equivalents approximates market value since these highly liquid, interest earning investments have short maturities. There was no significant investment in marketable securities, which consist of publicly traded equity securities classified as trading securities and were recorded at fair market value. Securities sold and not repurchased are carried at the fair market value of the securities.

11

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Note 4 to the accompanying consolidated financial statements is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At its Annual Meeting of shareholders held on August 29, 2001, the Company submitted the following matters to a vote of its shareholders, all of which were approved:

1. Election of Directors:

Name of Director	Votes For	Votes Withheld
Shant S. Hovnanian	16,229,500	78,013

Vahak S. Hovnanian	16,234,450	73,063
William F. Leimkuhler	16,232,860	74,653
Jeffrey Najarian	16,234,860	72,653
Christopher Vizas	16,228,885	78,628

2. Appointment of PricewaterhouseCoopers LLP as independent auditors of the Company:

Votes For	Votes Against	Abstentions
16,282,493	15,718	9,302

3. Approval of the Company's 1995 Stock Incentive Plan, as amended to increase the number of shares of Common Stock available for issuance by 500,000 from 2,250,000 to 2,750,000:

Votes For	Votes Against	Abstentions
15,501,904	791,912	13,697

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits:

None.

b. Current Reports on Form 8-K:

None.

SIGNATURES

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

SPEEDUS.COM, Inc.

Date: November 14, 2001

By: /s/ Shant S. Hovnanian

Shant S. Hovnanian
Chairman of the Board and Chief Executive Officer

Date: November 14, 2001

By: /s/ Angela M. Vaccaro

Angela M. Vaccaro
Controller and Chief Accounting Officer