SPEEDUS CORP
Form 10-Q
October 13, 2009

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

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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 CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3853788 (I.R.S. Employer Identification No.)
1 Dag Hammarskjold Blvd. Freehold, New Jersey (Address of principal executive offices)	07728 (Zip Code)

888-773-3669
(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 þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company þ
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ T

The number of shares of Common Stock outstanding as of October 12, 2009 was 3,935,596

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SPEEDUS CORP.
CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$4,884,010	$6,007,757
Marketable securities	1,996	2,633
Other current assets	181,864	58,068
Total current assets	5,067,870	6,068,458
Property and equipment, net of accumulated depreciation of $45,886 and $39,150	40,275	47,011
Other assets	22,447	22,447
Total assets	$5,130,592	$6,137,916
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$322,292	$174,293
Accrued liabilities	1,839,153	1,898,167
Convertible note to minority shareholder	513,053	328,883
Current portion of redeemable preferred stock	385,204	378,110
Total current liabilities	3,059,702	2,779,453
Redeemable preferred stock ($.0001 par value;100,000 shares authorized; 70,940 shares issued and outstanding), net of current portion	385,204	378,110
Total liabilities	3,444,906	3,157,563
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock ($.01 par value; 20,000,000 shares authorized): Series A Junior Participating ($.01 par value; 4,000 shares authorized; no shares issued)	-	-
Common stock ($.01 par value; 50,000,000 shares authorized; 5,438,006 shares issued)	54,380	54,380
Additional paid-in-capital	92,222,675	92,178,868
Treasury stock (at cost; 1,502,410 shares)	(6,136,611)	(6,136,611)
Accumulated deficit	(84,454,758)	(83,116,284)
Stockholders' equity	1,685,686	2,980,353
Total liabilities and stockholders' equity	$5,130,592	$6,137,916

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

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SPEEDUS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended March 31, 2009	2008
Revenues	$ 49,800	$ -
Expenses:		
Selling, general and administrative	993,459	541,657
Research and development	535,240	494,212
Depreciation and amortization	6,737	3,612
Cost of sales	59	72
Total operating expenses	1,535,495	1,039,553
Operating loss	(1,485,695)	(1,039,553)
Investment income (loss)	159,079	(39,012)
Interest income	8,700	94,551
Other income	2,800	-
Interest expense	(23,358)	-
Loss from continuing operations	(1,338,474)	(984,014)
Loss from discontinued operations	-	(382,353)
Net loss	$ (1,338,474)	$ (1,366,367)
Per share:		
Loss per common share - basic and diluted:		
Continuing operations	$ (0.34)	$ (0.24)
Discontinued operations	-	(0.10)
Loss per common share - basic and diluted	$ (0.34)	$ (0.34)
Weighted average common shares outstanding - basic and diluted	3,935,596	3,991,946

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

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SPEEDUS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the three months ended March 31, 2009	2008
Cash flows from operating activities:		
Net loss	$(1,338,474)	$(1,366,367)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,737	7,697
Unrealized investment losses	637	244,079
Stock based compensation	43,707	36,879
Accrued dividends on preferred stock	14,188	-
Accrued interest on convertible note	9,170	-
Changes in operating assets and liabilities, net of acquisition:		
Due from broker	-	(1,928,650)
Other current assets	(123,796)	(51,267)
Other assets	-	320,537
Accounts payable	147,999	38,093
Securities sold and not yet purchased	-	1,744,975
Accrued liabilities	(59,015)	(431,572)
Net cash used in operating activities	(1,298,847)	(1,385,596)
Cash flows from investing activities:		
United States Treasury bills:		
Maturities	-	2,996,700
Net cash provided by investing activities	-	2,996,700
Cash flows from financing activities:		
Convertible note financing in subsidiary by minority investor	175,000	-
Exercise of stock options in subsidiary	100	-
Redemption of preferred stock	-	(100,000)
Repurchase of stock	-	(4,828)
Net cash provided by (used in) financing activities	175,100	(104,828)
Net (decrease) increase in cash and cash equivalents	(1,123,747)	1,506,276
Cash and cash equivalents, beginning of period	6,007,757	8,845,358
Cash and cash equivalents, end of period	4,884,010	10,351,634
Supplemental information of business acquired:		
Fair value of assets acquired:		
Other current assets		195,000
Non current assets		34,000
Other intangible assets		580,400
Less-liabilities assumed:		

Redeemable preferred stock	(809,400)
Cash paid	-
less-cash acquired	-
Acquisition of business, net of cash acquired	$ -

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

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SPEEDUS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The unaudited consolidated financial statements of Speedus Corp. 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 adjustments) 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 2008 audited consolidated financial statements and notes thereto on Form 10-K.

Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

Business activities

Speedus Corp. operates primarily through its two majority-owned subsidiaries Zargis Medical Corp. and Density Dynamics Corporation.

In 2001 we co-invested with Siemens Corporate Research, Inc., a subsidiary of Siemens Corporation, in Zargis Medical Corp. to develop advanced diagnostic decision support products and services for primary care physicians, pediatricians, cardiologists and other healthcare professionals. In March of 2008 we acquired a majority interest in Density Dynamics Corporation, a company breaking new ground in the development of environmentally friendly solid-state storage and I/O acceleration technology.

For additional information on each of these business segments and our other assets and operations, see the discussions below and “Notes to Consolidated Financial Statements — Note 11, Business Segment Information.”

Zargis Medical Corp.
Zargis is a medical device company focused on improving health outcomes and cost effectiveness through the development of computer-aided medical devices and telemedicine based delivery systems. Zargis was formed in 2001 when we co-invested with Siemens Corporate Research, Inc., a subsidiary of Siemens Corporation. As part of this transaction, Siemens contributed certain intellectual property including a core technology used in the Zargis Cardioscan™ device (Cardioscan).

In February 2003, we acquired a controlling interest in Zargis Medical of approximately 63%. At March 31, 2009, as a result of continued investment, our primary equity ownership was approximately 93%.

In October 2007, Zargis and the 3M Company entered into an exclusive multi-year marketing alliance involving Zargis’ heart sound analysis software and 3M Littmann’s next-generation electronic stethoscope. Under the agreement, Zargis will support 3M in its efforts to develop a next-generation stethoscope that will be compatible with Zargis’ heart sound analysis software. In addition, the alliance provides Zargis with a wide-range of marketing and promotional opportunities along with exclusive rights to sell its heart sound analysis software through the global distribution network of the Littmann brand. The agreement with 3M, based on the total number of Zargis fully diluted shares as of the agreement date, grants 3M a 5% equity position in Zargis following the first sale of Zargis’ software through the 3M distribution channel (which occurred in August of 2009) and an additional 5% equity in Zargis in the event that other conditions are met. The agreement also entitles 3M to a royalty payment based on sales of certain Zargis products and a seat on the Zargis Board of Directors.

Density Dynamics

In March 2008, we obtained approximate a 75% primary equity ownership in Density Dynamics Corporation. Density Dynamics is a newly formed company that was created to acquire the technology, assets and some of the operations of a developer and marketer of ultra-high speed storage systems for server networks and other applications. See Note 2 for further discussion.

Other Business Activities

F&B Gudtfood.

As a result of continued losses, in October 2008 we transferred the operations and liabilities of the remaining F&B restaurant store in to an unrelated third party for no consideration. We have reflected the accounts of F&B as a discontinued operation in our consolidated financial statements for the three months ended March 31, 2008.

Local Multipoint Distribution Service (LMDS) License

We have an FCC commercial operating license which covers between 150 – 300 MHz of spectrum in the New York City area. The license has been renewed through February 1, 2016 conditioned upon demonstrating to the FCC by June 1, 2012 that we are providing “substantial service.” This entity had limited operations during the three months ended March 31, 2009 and 2008.

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Internet initiatives
In the fourth quarter of 2008, we ceased allocation of any material resources to our portfolio of Internet initiatives, which included NetfreeUs, Wibiki, Adchooser and iMarklet. These entities had limited operations during the three months ended March 31, 2009 and 2008.

Liquidity and Capital Resources

We have recorded operating losses and negative operating cash flows since our inception and have limited revenues. At March 31, 2009, we had an accumulated deficit of approximately $84,455,000. We do not expect to have earnings from operations or positive operating cash flow until such time as our strategic investments achieve successful implementation of their business plans and/or form alliances for the use of our capabilities in the future.

We may not have funds sufficient to finance our operations and enable us to meet our financial obligations for the next twelve months. There can be no assurances that we will be able to consummate any capital raising transactions, particularly in view of current economic conditions. The inability to generate future cash flow or raise funds to finance our strategic investments could have a material adverse effect on our ability to achieve our business objectives.

These conditions raise substantial doubt about our ability to continue as a going concern.

If we are not able to reduce or defer our expenditures, secure additional sources of revenue or otherwise secure additional funding, we may be unable to continue as a going concern, and we may be forced to restructure or significantly curtail our operations, file for bankruptcy or cease operations. In addition, a bankruptcy filing by one or more of our strategic investments could cause us to lose our investment and/or control and could prevent us from sharing in any future success of those strategic investments. The accompanying financial statements do not include any adjustments relating to the recoverability of the carrying amount of recorded assets or the amount of liabilities that might result should the Company be unable to continue as a going concern. Should we be successful in securing the necessary capital to continue operations, it is likely that such arrangements would result in significant dilution to each shareholder's ownership interest in the Company.

Financial Statements and Principles of Consolidation

The consolidated financial statements include the accounts of Speedus and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Companies in which Speedus directly or indirectly owns more than 50% of the outstanding voting securities or that Speedus has effective control over are accounted for under the consolidation method of accounting. Under this method, those companies' balance sheets and results of operations, from the date Speedus acquired control, are included in Speedus' consolidated financial statements. Through the year ended December 31, 2008, Zargis Medical and Density Dynamics continued to generate losses which reduced the minority investors' interest to zero. As result, the Company is consolidating 100% of the losses for these entities and continues to fund their operations with intercompany loans or additional investment, which are eliminated in consolidation.

Companies in which Speedus owns less than 20% of the outstanding voting securities and does not have the ability to exercise significant influence are accounted for under the cost method of accounting.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of

operating revenues and expenses during the reporting periods. Significant estimates and assumptions include the adequacy of the calculations related to stock based compensation, other than temporary impairment of investments and the realizable value of assets held for sale. Actual results could differ from those estimates.

Cash and Cash Equivalents
The Company considers all highly liquid interest earning investments with original maturities of three months or less to be cash equivalents. At March 31, 2009 and December 31, 2008, cash equivalents consisted of money market funds. At times the Company has cash and cash equivalents balances in excess of the FDIC and SPIC insured limits.

Marketable Securities
All marketable securities are defined as trading securities under the provisions of Statement of Financial Accounting Standards (‘SFAS”) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." At March 31, 2009 and December 31, 2008, marketable securities consisted of publicly traded equity securities which were recorded at the fair market value of approximately $2,000 and approximately $2,600 as of March 31, 2009 and December 31, 2008, respectively.

Securities sold and not purchased
The Company has in the past and may in the future sell publicly traded 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. These amounts are shown on the balance sheet as ‘Securities sold and not purchased’ and represent the value of these securities at fair market value. The Company’s potential for loss on these transactions is unlimited since the value of the underlying security can keep increasing which could have a material adverse effect on the Company’s consolidated financial statements. At March 31, 2009 and December 31, 2008, there were no securities sold and not purchased.

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Fair Value of Financial Instruments
Cash and cash equivalents, accounts payable and accrued expenses are reflected in the consolidated balance sheets at their carrying value, which approximates fair value due to the short-term nature of these instruments and the variability of the respective interest rates, where applicable. Pursuant to SFAS No. 157 “Fair Value Measurements”, the fair value of our cash equivalents is determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets.

Property and Equipment
Office equipment and leasehold improvements are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years, but not longer than initial lease terms in the case of leasehold improvements. When assets are fully depreciated, it is the Company’s policy to remove the costs and related accumulated depreciation from its books and records.

Long-lived assets
The Company periodically evaluates the net realizable value of long-lived assets, including fixed and intangible assets, in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, relying on anticipated future cash flows. The Company’s evaluation of anticipated future cash flows considers operating results, business plans and economic projections, as well as, non-financial data such as market trends, product and development cycles, and changes in management’s market emphasis. An impairment in the carrying value of an asset is recognized when the expected future operating cash flows derived from the asset are less than its carrying value.

Revenue Recognition
Zargis Medical recognizes revenue upon completion of services performed under contracts, in accordance with the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 104, "Revenue Recognition".

Income Taxes
As required by Statement SFAS No. 109, “Accounting for Income Taxes,” the Company is required to provide for deferred tax assets or liabilities arising due to temporary differences between the book and tax basis of the Company’s assets and liabilities.

As of March 31, 2009, the Company has a deferred tax asset of approximately $50.8 million, relating primarily to operating losses. An offsetting valuation allowance of $50.8 million has been established as the Company had no ability to carryback its losses and a limited earnings history.

At March 31, 2009, the Company had net operating loss carryforwards of approximately $107 million which expire between 2015 and 2029. Under the provisions of the Internal Revenue Code, certain substantial changes in the Company’s stock ownership may result in a limitation on the amounts of net operating loss carryforwards which can be utilized in future years.

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109”. FIN 48 prescribes a comprehensive model for the manner in which a company should recognize, measure, present and disclose in its financial statements all material uncertain tax positions that the Company has taken or expects to take on a tax return. As of March 31, 2009, the only tax jurisdictions to which the Company is subject are the United States and several states where the Company operates. Open tax years relate to years in which unused net operating losses were generated. Thus, the Company’s open tax years extend back to 1996. In the event that the Company concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Company will present interest and penalties as a component of income taxes. No amounts of interest or penalties were recognized in the Company’s Consolidated Balance Sheet or Consolidated Statement of Operations as of and for the three months ended March 31, 2009 and 2008.

Earnings Per Share

Basic and diluted (loss) per common share are determined in accordance with SFAS No. 128, For the three months ended March 31, 2009 and 2008, outstanding stock options and warrants in the weighted average amounts of 645,000 and 551,000, respectively, have been excluded from the diluted loss per share since their effect would be antidilutive.

Stock Options

The Company accounts for stock options under SFAS 123R, “Share-Based Payment”. Under this method, the Company records compensation cost based upon the fair value of those awards on the grant date over the service period of each award on a straight line basis. Stock based compensation expense recognized during the three months ended March 31, 2009 and 2008 was approximately $43,700 and $36,900, respectively.

The fair value of the awards on the grant date was estimated using a Black-Scholes option pricing model. Assumptions utilized in the model for Speedus, Zargis, and DDC are evaluated and revised, as necessary, to reflect market conditions and experience. For the three months ended March 31, 2009, key assumptions used in valuing these options included a risk-free interest rate of 2.3%, an expected life of seven years and a volatility factor of 124%. For the three months ended March 31, 2008, key assumptions used in valuing these options included a risk-free interest rate of 3%, expected life of six years and a volatility factor of 106%.

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Under the provisions of Emerging Issues Task Force No. 96-18, "Accounting for equity instruments that are issued to other than employees for acquiring or in conjunction with selling, goods and services", the fair value of the equity interests will be recognized as an expense over a period of time when the requisite conditions are met.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board issued FASB No. 141R, "Business Combinations". FASB 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. FASB 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FASB 141R will become effective as of the beginning of the Company's fiscal year beginning after December 15, 2008. The impact that adoption of FASB No. 141R will have on the Company's consolidated financial statements will depend on the nature, terms and size of business combinations that occur after the effective date.

In December 2007, the Financial Accounting Standards Board issued FASB No. 160, "Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51". FASB 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FASB 160 will become effective as of the beginning of the Company's fiscal year beginning after December 15, 2008. The adoption of FASB No. 160 did not have a material impact on the consolidated results of operations and financial condition.

In April 2008, the FASB issued Staff Position FSP 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets." FSP 142-3 is effective for financial statements issued after December 15 2008. The adoption of FSP 142-3 did not have a material impact on the consolidated results of operations and financial condition.

In May 2008, the FASB issued Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are presented in conformity with GAAP. Prior to the issuance of SFAS 162, GAAP hierarchy was defined in the American Institute of Certified Public Accountants ("AICPA") Statement on Auditing Standards (SAS) no. 69, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". Unlike SAS 69, SFAS 162 is directed to the entity rather than the auditor. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles", SFAS 162 is effective November 15, 2008 and did not have any material impact on the Company's results of operations, financial condition or liquidity.

In June 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock " ("EITF 07-5"). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The implementation of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

In October 2008, the FASB issued FSP 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP 157-3"). FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active, and the use of market quotes when assessing the relevance of observable and unobservable data. FSP 157-3 is effective for all periods presented in accordance with SFAS No. 157. The adoption of FSP 157-3 did not have a significant impact on the Company's consolidated financial statements or the fair values of its financial assets and liabilities.

In June 2009, the FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("SFAS 168"). SFAS 168 will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"), superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. SFAS 168 reorganizes the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Securities and Exchange Commission guidance organized using the same topical structure in separate sections. SFAS 168 will be effective for financial statements issued for reporting periods that end after September 15, 2009.

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2. Acquisition

On March 5, 2008, the Company acquired approximately a 75% primary equity ownership in Density Dynamics Corporation, a newly formed company that was created to acquire the technology, assets and some of the operations of a developer and marketer of ultra-high speed storage systems for server networks and other applications. The acquisition price was $1,000,000. In exchange, the Company received $1,000,000 of redeemable preferred stock from DDC, which has been eliminated in consolidation.

This acquisition was accounted for using the purchase method of accounting. The results of operations of DDC have been included in the consolidated statements of operations from the date of acquisition. The acquisition has been allocated as follows as of the acquisition date: $191,000 to current assets, $34,000 to non current assets, $584,000 to other intangible assets and $809,000 to liabilities. The $584,000 allocated as an intangible asset (reflecting intellectual property assets of DDC) was being amortized over a period of seven years until written off as impaired in the fourth quarter of 2008.

In connection with the acquisition, DDC issued $809,400 of redeemable preferred stock to the 25% owner, $100,000 of which was redeemed at the time of closing. The redeemable preferred stock accrues dividends equal to 8% of the original purchase price of $10 per share (the “Original Purchase Price”). The redeemable preferred stock will be redeemed for the Original Purchase Price plus accrued and unpaid dividends as follows: $70,000 during the year ended December 31, 2009, $50,000 out of a future financing by the Company, 50% out of the cash flow of DDC as defined, and to the extent that any redeemable preferred shares remain outstanding, the balance will be redeemed in 2013. The Company has reflected this redeemable preferred stock as a liability on its December 31, 2008 and March 31, 2009 consolidated balance sheet. For the three months ended March 31, 2009 and 2008 accrued dividends on the redeemable preferred stock to the minority owner in the amount of approximately $14,200 and $0 respectively, has been recorded as interest expense. During the three months ended March 31, 2009 DDC was fully operational in compared to the three months ended March 31, 2008 where DDC had limited operations.

In July 2008, DDC sold 300,000 shares of its common stock for a price of $1 per share. 225,000 shares were sold to Speedus and 75,000 shares were sold to the minority owner of DDC. The investment by Speedus has been eliminated in consolidation. The investment by the minority owner has been reflected in additional paid-in-capital during the year ended December 31, 2008. In connection with this sale of stock, DDC issued seven year warrants to purchase 56,250 and 18,750 shares of DDC common stock to Speedus and the minority owner, respectively, for a purchase price of $1 per share.

In October 2008, DDC sold $500,000 in 8% convertible notes, in the amounts of $250,000 to each of the Company and the minority owner. In December 2008, DDC agreed to sell an additional $500,000 in 8% convertible notes, in the amounts of $250,000 to each of the Company and the minority owner. At December 31, 2008, $75,000 had been advanced by each of the Company and the minority owner. During the first three months of 2009, the remaining balance of $175,000 was advanced by each of the Company and the minority owner. The aggregate amount under the notes is due December 31, 2009 unless otherwise converted in connection with any financings completed by DDC. The loan by the Company has been eliminated in consolidation. For the three months ended March 31, 2009 and 2008, accrued interest on the convertible note to the minority owner in the amount of approximately $9,200 and $0 has been recorded as interest expense, respectively.

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3. Discontinued operations

During December 2007, the Company closed one of its F&B Restaurant stores as a result of continued losses. At December 31, 2007, based upon an offer to purchase the leasehold estate, the Company recorded a loss in the amount of $71,000 representing the difference between the carrying value of the leasehold estate and the estimated net proceeds to be received by the Company in the amount of $342,000 which had been recorded as assets held for sale. In April 2008, the landlord did not agree to the proposed sale and terminated the lease effective May 2008. As a result, the Company recorded an additional loss in the amount of $342,000 during the year ended December 31, 2008. As a result of continued losses, in October 2008 the Company transferred the operations and right to use the assets of its remaining F&B Restaurant store to an unrelated third party for no consideration. The net assets and liabilities and results of operations of F&B are presented as discontinued operations for all periods presented in these financial statements.

The loss from discontinued operations of F&B for the three months ended March 31, 2008 consists of:

Revenues	$120,234
Cost of sales	36,033
Selling, general and administrative	462,469
Depreciation	4,085
Total operating expenses	502,587
Operating loss	(382,353)
Investment income	-
Net loss from discontinued operations	$(382,353)

4. Business Segment Information

The following table sets forth the Company's financial performance by reportable operating segment for the three months ended March 31, 2009 and 2008.

	Three months ended March 31, 2009			
	Zargis	DDC	Corporate and other	Totals
Revenues from external customers	$ 49,800	$ -	$ -	$ 49,800
Depreciation and amortization	2,822	3,915	-	6,737
Operating loss	(391,090)	(649,621)	(444,984)	(1,485,695)
Fixed assets	7,155	33,120	-	40,275
Total assets	176,138	115,936	4,838,518	5,130,592

	Three months ended March 31, 2008			
	Zargis	DDC	Corporate and other	Totals
Revenues from external customers	$ -	$ -	$ -	$ -
Depreciation and amortization	3,612	-	-	3,612
Operating loss	(525,203)	(22,840)	(491,510)	(1,039,553)
Fixed assets	18,309	34,000	-	52,309

Total assets	162,933	1,706,560	12,195,634	14,065,127

The Company has no foreign operations. During the three months ended March 31, 2009 and 2008, the Company had sales to the US Army were greater than 10% of total Company revenues. The Company's accounting policies for segments are the same as those described in Note 1.

DDC was acquired in March 2008 and had no significant operations during the three months ended March 31, 2008.

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5. Commitments and Contingencies

Withholding Tax Dispute Description

On March 30, 2004, the Company entered into an Employment Agreement with Mr. Shant S. Hovnanian, effective as of April 25, 2002 (the "Employment Agreement"), providing for Mr. Hovnanian's employment as President and Chief Executive Officer of the Company. The Employment Agreement provided that Mr. Hovnanian was to be paid an annual salary. The Employment Agreement separately provided for Mr. Hovnanian to receive a contingent payment equal to 20% of the net proceeds (after legal and other expenses) realized by the Company from a Technology Rights Agreement dispute against Western International Communications and certain related claims. The Company reached a $15 million settlement of this claim in February 2004, resulting in a contingent payment of approximately $2.8 million, which was paid to an entity that Mr. Hovnanian controlled.

On January 22, 2009, the Internal Revenue Service (the "IRS") issued a "30-day letter" to the Company asserting that withholding income tax was due to the IRS in connection with this payment, plus interest and penalties, which totaled approximately $1.3 million ("Claim"). Thereafter, on February 23, 2009, the IRS issued notice of its intention to levy in respect of these claims. The Company appealed the IRS proposed tax adjustment and while the appeal process is underway, any related IRS levy has been stayed. The Company took the step to set aside sufficient cash to satisfy the Claim and other potential obligations that may arise with respect to this issue. The Company has established a reserve of $1.3 million in accrued expenses and recorded a charge to selling, general and administrative expenses for this claim at December 31, 2008.

Recently, the Company met with officials of the IRS and proposed a settlement that would relieve the Company of responsibility for payment of the Federal income tax withholding with respect to the $2.8 million payment in exchange for the payment by the Company of Social Security and Medicare taxes (including associated interest) on such amount. While the Company reasonably believes that a settlement will be achieved and expects a decision before the end of October of 2009, there can be no assurance that a settlement will be reached or that the ultimate payment will be below the amount levied.

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, 2008.

Cautionary Statement Regarding Forward-Looking Information

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.

Business Activities

Overview

Speedus Corp. operates primarily through its two majority-owned subsidiaries Zargis Medical Corp. and Density Dynamics Corporation.

In 2001 we co-invested with Siemens Corporate Research, Inc., a subsidiary of Siemens Corporation, in Zargis Medical Corp. to develop advanced diagnostic decision support products and services for primary care physicians, pediatricians, cardiologists and other healthcare professionals. In March of 2008 we acquired a majority interest in Density Dynamics Corporation, a company breaking new ground in the development of DRAM based energy efficient solid-state drives (SSD) with I/O acceleration technology.

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For additional information on each of these business segments and our other assets and operations, see the discussions below and “Notes to Consolidated Financial Statements — Note 10, Business Segment Information.”

Zargis Medical Corp.
Zargis is a medical device company focused on improving health outcomes and cost effectiveness through the development of computer-aided medical devices and telemedicine based delivery systems. Zargis was formed in 2001 when we co-invested with Siemens Corporate Research, Inc., a subsidiary of Siemens Corporation. As part of this transaction, Siemens contributed certain intellectual property including a core technology used in the Zargis Cardioscan™ device (Cardioscan).

Cardioscan is a non-invasive, diagnostic support solution that automatically analyzes acoustical data from a patient to determine whether or not the patient possesses a suspected diastolic or systolic murmur and whether or not they present a Class I indication for echocardiography referral. Heart murmurs can be a sign of serious types of valvular or other heart disease. Zargis’ patented technology utilizes advanced signal processing algorithms deployed on a standard pc computer platform. Cardioscan received its initial FDA clearance in May 2004 and additional clearances in September 2005 and March 2006.

In addition to the development of Cardioscan, Zargis has been awarded several contracts by the U.S. Army, most recently in October of 2008, to develop prototype versions of telemedicine systems for use in cardiology. These systems record, synchronize and analyze heart sounds, lung sounds and ECG signals in pediatric patients who are being cared for by remote military treatment facilities. The systems have been fully integrated with an existing Army telehealth platform.

Demand for medical systems designed to remotely project the expertise of cardiologists and other medical specialists is growing very rapidly within both military and civilian environments worldwide and it is for this reason that Zargis has identified the field of telemedicine as a key focus area for product commercialization.

In February 2003, we acquired a controlling interest in Zargis Medical of approximately 63%. At December 31, 2008, as a result of continued investment, our primary equity ownership interest was approximately 93%.

In October 2007, Zargis and the 3M Company entered into an exclusive multi-year marketing alliance involving Zargis’ heart sound analysis software and 3M Littmann’s next-generation electronic stethoscope. Under the agreement, Zargis will support 3M in its efforts to develop a next-generation stethoscope that will be compatible with Zargis’ heart sound analysis software. In addition, the alliance provides Zargis with a wide-range of marketing and promotional opportunities along with exclusive rights to sell its heart sound analysis software through the global distribution network of the Littmann brand. The agreement with 3M, based on the total number of Zargis fully diluted shares as of the agreement date, grants 3M a 5% equity position in Zargis following the first sale of Zargis’ software through the 3M distribution channel (which occurred in August of 2009) and an additional 5% equity in Zargis in the event that other conditions are met. The agreement also entitles 3M to a royalty payment based on sales of certain Zargis products and a seat on the Zargis Board of Directors.

Density Dynamics
In March 2008, we obtained approximately a 75% equity interest in Density Dynamics Corporation. Density Dynamics is a newly formed company that was created to acquire the technology, assets and some of the operations of a developer and marketer of ultra-high speed storage systems for server networks and other applications.

Density Dynamics is continuing development of its line of DRAM based energy efficient solid-state technology. The Density Dynamics RamFlash (RF-SSD) and pure DRAM solid-state drive (DR-SSD) Jet.io products are unique because they provide a scalable industry standard 3.5” drive format and also use a proprietary design with DRAM memory for core storage functions in a uniquely compact 3.5-inch form factor alleviating I/O bottlenecks using dramatically lower power than other storage solutions.

Other Business Activities

F&B Gudtfood.

As a result of continued losses, in October 2008 we transferred the operations and liabilities of the remaining F&B restaurant store in to an unrelated third party for no consideration. We have reflected the accounts of F&B as a discontinued operation in our consolidated financial statements for the three months ended March 31, 2009 and 2008.

Local Multipoint Distribution Service (LMDS) License

We have an FCC commercial operating license which covers between 150 – 300 MHz of spectrum in the New York City area. The license has been renewed through February 1, 2016 conditioned upon demonstrating to the FCC by June 1, 2012 that we are providing “substantial service.” This entity had limited operations during the three months ended March 31, 2009 and 2008.

Internet initiatives

In the fourth quarter of 2008, we ceased allocation of any material resources to our portfolio of Internet initiatives, which included NetfreeUs, Wibiki, Adchooser and iMarklet. These entities had limited operations during the three months ended March 31, 2009 and 2008.

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Investments
We have invested a portion of our assets in a portfolio of marketable securities consisting of publicly traded equity securities. We have in the past and may in the future sell publicly traded equity securities we do not own in anticipation of declines in the fair market values of these securities. As of March 31, 2009 and December 31, 2008, we had not sold any securities that we did not own.

Critical Accounting Policies

General
Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. The preparation of those financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of operating revenues and expenses during the reporting periods. Actual results could differ from those estimates. For a description of all of our accounting policies, see Note 2 to our consolidated financial statements included in this Form 10-K. However, we believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Financial instruments
Our financial instruments consist primarily of cash equivalents and marketable securities. The carrying value of cash equivalents approximates market value since these highly liquid, interest earning investments are invested in money market funds. Marketable securities consist of publicly traded equity securities classified as trading securities and are recorded at fair market value, i.e., closing prices quoted on established securities markets. Significant changes in the market value of securities that we invest in could have a material impact on our financial position and results of operations.

We have also invested in equity and debt instruments of non-publicly held companies and account for them under the cost method since we do not have the ability to exercise significant influence over operations. We monitor these investments for other than temporary impairment by considering current factors including economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment, and record reductions in carrying values when necessary.

Long-lived assets
Long-lived assets, including fixed assets and other intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable through estimated future cash flows from that asset. The estimate of cash flow is based upon, among other things, certain assumptions about expected future operating performance.

Share-Based Payments
We account for share-based payments under FASB 123R, “Share-Based Payment.” Under this method, we record compensation cost based upon the fair value of those awards on the grant date over the remaining service period of each award on a straight line basis.

We estimate the value of these awards on the date of grant using a Black-Scholes option pricing model. The determination of the fair value of these awards on the date of grant is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, expected term, risk-free interest rate, expected dividends and expected forfeiture rates.

If factors change and we employ different assumptions in the application of FASB 123R in future periods, the compensation expense that we record under FASB 123R may differ significantly from what we have recorded in the current period. There is a high degree of subjectivity involved when using option pricing models to estimate share-based compensation under FASB 123R. Consequently, there is a risk that our estimates of the fair values of these awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those share-based payments in the future. Employee stock options may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our consolidated financial statements. Alternatively, value may be realized from these instruments that are significantly in excess of the fair values originally estimated on the grant date and reported in our consolidated financial statements. During the three months ended March 31, 2009 and 2008, we do not believe that reasonable changes in the projections would have had a material effect on share-based compensation expense.

Contingencies

We account for contingencies in accordance with Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies”. SFAS No. 5 requires that we record an estimated loss when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies such as environmental, legal and income tax matters requires us to use our judgment. While we believe that our accruals for these matters are adequate, if the actual loss is significantly different than the estimated loss, our results of operations will be affected in the period that the difference is known.

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Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

Revenues increased from $0 for the three months ended March 31, 2008 to $49,800 for the three months ended March 31, 2009. This increase is primarily the result of contracted service revenue earned by Zargis.

Selling, general and administrative expenses increased 83% from approximately $542,000 for the three months ended March 31, 2008 to approximately $993,000 for the three months ended March 31, 2009. This increase is primarily a result of the activities associated with Density Dynamics, which began operation in March of 2008 and had limited operations during the three months ended March 31, 2008.

Research and development expenses increased 8% from approximately $494,000 for the three months ended March 31, 2008 to approximately $535,000 for the three months ended March 31, 2009. This increase is primarily a result of an increase in Zargis development expenses of approximately $90,000, an increase in Density Dynamics development expenses of approximately $100,000, which began operations in March 2008 and had limited operations during the three months ended March 31, 2008. These increases were offset by a reduction in spending on internet initiatives of approximately $150,000.

Depreciation and amortization increased 87% from approximately $4,000 for the three months ended March 31, 2008 to approximately $7,000 for the three months ended March 31, 2009. This increase is primarily a result of activities associated with Density Dynamics which began operations in March 2008 and had limited operations during the three months ended March 31, 2008.

Investment income increased approximately $198,000 from a net loss of approximately $39,000 for the three months ended March 31, 2008 to a net gain of approximately $159,000 for the three months ended March 31, 2009. This increase was primarily due to favorable trading results in the three months ended March 31, 2009 compared with unfavorable trading results in the three months ended March 31, 2008. Interest income decreased from approximately $95,000 in the three months ended March 31, 2008 to approximately $9,000 in the three months ended March 31, 2009. This decrease was primarily the result of a substantial reduction in the amount of capital available for investment purposes. Other income increased from $0 in the three months ended March 31, 2008 to approximately $3,000 in the three months ended March 31, 2009. This increase was related to the sale of a domain name during the three months ended March 31, 2009. Interest expense increased from $0 in the three months ended March 31, 2008 to approximately $23,000 in the three months ended March 31, 2009. This increase was primarily related to dividends payable on redeemable preferred stock and interest payable on a convertible note to a minority owner of Density Dynamics. These amounts will fluctuate based upon changes in the market value of the underlying investments, overall market conditions and the amount of funds available for short-term investment and are not necessarily indicative of the results that may be expected for any future periods.

Liquidity and Capital Resources

We have recorded operating losses and negative operating cash flows since our inception and have limited revenues. At March 31, 2009, we had an accumulated deficit of approximately $84,455,000. We do not expect to have earnings from operations or positive operating cash flow until such time as our strategic investments achieve successful implementation of their business plans and/or form alliances for the use of our capabilities in the future.

We may not have funds sufficient to finance our operations and enable us to meet our financial obligations for the next twelve months. There can be no assurances that we will be able to consummate any capital raising transactions, particularly in view of current economic conditions. The inability to generate future cash flow or raise funds to finance our strategic investments could have a material adverse effect on our ability to achieve our business objectives.

The report of our registered public accounting firm for the fiscal year ended December 31, 2008 contains an explanatory paragraph which states that there is substantial doubt about our ability to continue as a going concern.

If we are not able to reduce or defer our expenditures, secure additional sources of revenue or otherwise secure additional funding, we may be unable to continue as a going concern, and we may be forced to restructure or significantly curtail our operations, file for bankruptcy or cease operations. In addition, a bankruptcy filing by one or more of our strategic investments could cause us to lose our investment and/or control and could prevent us from sharing in any future success of those strategic investments. The accompanying financial statements do not include any adjustments relating to the recoverability of the carrying amount of recorded assets or the amount of liabilities that might result should the Company be unable to continue as a going concern. Should we be successful in securing the necessary capital to continue operations, it is likely that such arrangements would result in significant dilution to each shareholder’s ownership interest in the Company.

Net cash used in operating activities was approximately $1,299,000 for the three months ended March 31, 2009 compared to approximately $1,386,000 for the three months ended March 31, 2008. This net decrease in cash used in operating activities is primarily the result of corporate cost cutting initiatives that resulted in savings of $28,000, approximately $24,000 in accrued interest and dividends, and approximately $35,000 in other positive changes to operating assets and liabilities during the three months ended March 31, 2009, in comparison to the three months ended March 31, 2008.

Net cash provided by investing activities was $0 for the three months ended March 31, 2009 compared to approximately $2,997,000 for the three months ended March 31, 2008. This net reduction in cash provided by investing activities is primarily the result of the maturation of a US Treasury Bill in 2008 that the Company did not have in 2009.

Net cash provided from financing activities was approximately $175,000 for the three months ended March 31, 2009 compared to net cash used in financing activities of approximately $(105,000) for the three months ended March 31, 2008. This net increase in cash provided by financing activities is a result of proceeds received from note financing by a minority investor in 2009 and the redemption of preferred stock and the repurchase of company stock that occurred in 2008.

At March 31, 2009, the Company’s future minimum lease payments due under non-cancelable leases aggregated approximately $109,000. Approximately $94,000 of this amount is due during the year ending December 31, 2009, and the balance of approximately $15,000 is due during the year ending December 31, 2010. In addition, in connection with a license agreement to which the Company is a party, a termination payment will be payable by the Company in the amount of $200,000 if the license agreement is terminated by the Company before September 1, 2011.

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We have invested a portion of our assets in a portfolio of marketable securities consisting of publicly traded equity securities. We purchase these securities in anticipation of increases in the fair market values of the securities. We have in the past and may in the future sell publicly traded equity securities we do not own in anticipation of declines in the fair market values of these securities. When we sell securities that we do not own, we must borrow the securities we sold in order to deliver them and settle the trades. Thereafter, we must buy the securities and deliver them to the lender of the securities. Our potential for loss on these transactions is unlimited since the value of the underlying security can keep increasing. At March 31, 2009 we had not sold any securities that we did not own. At March 31, 2008 we had sold approximately $1,939,000 in securities that we did not own.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

See Note 1 to the consolidated financial statements for a full description of recent accounting pronouncements including the impact the future adoption would have on the Company’s results of operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company’s financial instruments at March 31, 2009 consist primarily of cash equivalents which are invested primarily in money market accounts, and marketable securities.

The Company has in the past and may in the future sell publicly traded 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. These amounts are shown on the balance sheet as ‘Securities sold and not purchased’ and represent the value of these securities at fair market value. The Company’s potential for loss on these transactions is unlimited since the value of the underlying security can keep increasing which could have a material adverse effect on the Company’s consolidated financial statements. At March 31, 2009 and December 31, 2008 there were no securities sold and not purchased.

ITEM 4T. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls And Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures," as such term is defined in Rules l3a-15e and l5d-I5e promulgated under the Securities Exchange Act of 1934, as amended, (the “Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, the Company's disclosure controls and procedures were ineffective as of the end of the period covered by this report. This conclusion was based on the material weakness indentified in the Company's internal control over financial reporting as noted below. Such controls and procedures are designed to ensure that all material information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated as appropriate to allow timely decisions regarding required disclosure and that all such information is recorded, processed, summarized and reported as specified in the rules and forms of the SEC.

Management's Quarterly Report on Internal Control over Financial Reporting

The Company's management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, based on the framework and criteria established in Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management assessed the effectiveness of the Company's internal control over financial reporting for the period ended March 31, 2009 and concluded that such internal control over financial reporting was not effective with respect to the material weakness described below. This report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we engaged our independent registered public accounting firm to perform, an audit on our internal control over financial reporting pursuant to the rules of the Securities and Exchange Commission that permit us to provide only managements' report in this annual report.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2008, management identified the following material weaknesses:

- Timely closing of books and filing of reports
- Failure to file timely tax returns. Although we have filed extensions and made payments, where applicable, no income tax returns have been filed since 2005.

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Management commenced a number of efforts to remediate the weaknesses noted above including the hiring of a financial consultant and the appointment of a new CFO.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Withholding Tax Dispute

On March 30, 2004, the Company entered into an Employment Agreement with Mr. Shant S. Hovnanian, effective as of April 25, 2002 (the “Employment Agreement”), providing for Mr. Hovnanian’s employment as President and Chief Executive Officer of the Company. The Employment Agreement provided that Mr. Hovnanian was to be paid an annual salary. The Employment Agreement separately provided for Mr. Hovnanian to receive a contingent payment equal to 20% of the net proceeds (after legal and other expenses) realized by the Company from a Technology Rights Agreement dispute against Western International Communications and certain related claims. The Company reached a $15 million settlement of this claim in February 2004, resulting in a contingent payment of approximately $2.8 million, which was paid to an entity that Mr. Hovnanian controlled.

On January 22, 2009, the Internal Revenue Service (the “IRS”) issued a “30-day letter” to the Company asserting that withholding income tax was due to the IRS in connection with this payment, plus interest and penalties, which totaled approximately $1.3 million (“Claim”). Thereafter, on February 23, 2009, the IRS issued notice of its intention to levy in respect of these claims. The Company appealed the IRS proposed tax adjustment and while the appeal process is underway, any related IRS levy has been stayed. The Company took the step to set aside sufficient cash to satisfy the Claim and other potential obligations that may arise with respect to this issue. The Company has established a reserve of $1.3 million in accrued expenses and recorded a charge to selling, general and administrative expenses for this claim at December 31, 2008.

Recently, the Company met with officials of the IRS and proposed a settlement that would relieve the Company of responsibility for payment of the Federal income tax withholding with respect to the $2.8 million payment in exchange for the payment by the Company of Social Security and Medicare taxes (including associated interest) on such amount. While the Company reasonably believes that a settlement will be achieved and expects a decision before the end of October of 2009, there can be no assurance that a settlement will be reached or that the ultimate payment will be below the amount levied.

ITEM 1A. RISK FACTORS

No material changes.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Stock repurchase program:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
	0	$ -	0	$ 414,922

January 1, 2008 - March 31, 2008						
February 1, 2008 - February 29, 2008	0	$	-	0	$	414,922
March 1, 2008 - March 31, 2008	3,567	$	1.35	3,567	$	410,094
Total	3,567	$	1.35	3,567	$	410,094

(1) On November 21, 2000, the Company announced that its Board of Directors had approved a stock repurchase program for the repurchase of up to $1,000,000 of Company stock through open market as well as privately negotiated transactions. Thereafter, the Board of Directors approved increases to the program in the aggregate amount of $5,500,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

Nasdaq Compliance
The Company expects that it will file its Form 10-K for the year ended December 31, 2008, and its 10-Q for the periods ending March 31, 2009 and June 30, 2009, on or before October 13, 2009, at which time the Company will be in compliance with Marketplace Rule 5250(c).

one.

ITEM 6. EXHIBITS

Exhibit number 31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
Exhibit number 31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
Exhibit number 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
Exhibit number 32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

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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 CORP.
Date: October 12, 2009	By: /s/ Shant S. Hovnanian Shant S. Hovnanian Chairman of the Board, President and Chief Executive Officer
Date: October 12, 2009	By: /s/ John A. Kallassy John A. Kallassy Treasurer and Chief Financial and Accounting Officer