SPEEDUS CORP
Form 10-Q
August 14, 2007

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 June 30, 2007

OR

o 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	13-3853788
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9 Desbrosses Street, Suite 402 New York, New York	10013
(Address of principal executive offices)	(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 x No o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer x

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

The number of outstanding shares of the registrant s common stock, par value $.01 per share, as of August 6, 2007 was 15,967,640.

SPEEDUS CORP.
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SPEEDUS CORP.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,321,738	$ 10,204,167
United States Treasury bills	7,935,010	4,990,250
Marketable securities	535,135	354,011
Prepaid expenses and other	127,558	143,654
Total current assets	13,919,441	15,692,082
Property and equipment, net of accumulated depreciation of $527,313 and $444,972	477,985	527,828
Other intangible assets, net of accumulated amortization of $1,148,680 and $1,125,928	11,364	34,116
Other investments	800,000	800,000
Other assets	83,127	81,737
Total assets	$ 15,291,917	$ 17,135,763
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 53,911	$ 62,805
Accrued liabilities	887,327	971,055
Total current liabilities	941,238	1,033,860
Commitments and Contingencies		
Stockholders equity:		
Common stock ($.01 par value; 50,000,000 shares authorized; 21,750,174 shares issued)	217,502	217,502
Preferred stock ($.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	91,519,747	91,464,119
Treasury stock (at cost; 5,782,534 and 5,780,884 shares)	(6,085,078)	(6,083,360)
Accumulated deficit	(71,301,492)	(69,496,358)
Stockholders equity	14,350,679	16,101,903
Total liabilities and stockholders equity	$ 15,291,917	$ 17,135,763

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

SPEEDUS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	**2006**	**2007**	**2006**
Revenues	$ 213,136	$ 209,069	$ 386,455	$ 428,139
Expenses:				
Selling, general and administrative	810,437	1,599,428	1,920,698	2,462,872
Research and development	380,641	444,785	734,261	902,147
Depreciation and amortization	53,100	204,503	105,093	443,393
Cost of sales	76,873	93,272	141,702	159,246
Total operating expenses	1,321,051	2,341,988	2,901,754	3,967,658
Operating loss	(1,107,915)	(2,132,919)	(2,515,299)	(3,539,519)
Investment income/(loss)	513,050	(78,257)	710,165	35,649
Net loss	$ (594,865)	$ (2,211,176)	$ (1,805,134)	$ (3,503,870)
Per share:				
Loss per common share - basic and diluted	$ (0.04)	$ (0.14)	$ (0.11)	$ (0.22)
Weighted average common shares outstanding - basic and diluted	15,968,166	16,067,162	15,968,725	16,083,315

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

SPEEDUS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30,	
	2007	**2006**
Cash flows from operating activities:		
Net loss	$ (1,805,134)	$ (3,503,870)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	105,093	443,393
Unrealized investment (gains)/losses	(345,919)	432,940
Stock based compensation	55,628	547,678
Changes in operating assets and liabilities:		
Marketable securities	164,795	213,551
Prepaid expenses and other	16,096	(45,177)
Other assets	(1,390)	27,818
Accounts payable	(8,894)	17,420
Accrued liabilities	(83,728)	(53,806)
Net cash used in operating activities	(1,903,453)	(1,920,053)
Cash flows from investing activities:		
Property and equipment additions	(32,498)	(337,696)
United States Treasury bills:		
Purchases	(12,944,760)	(9,989,800)
Maturities	10,000,000	5,000,000
Net cash used in investing activities	(2,977,258)	(5,327,496)
Cash flows from financing activities:		
Repurchase of stock	(1,718)	(123,936)
Net cash used in financing activities	(1,718)	(123,936)
Net decrease in cash and cash equivalents	(4,882,429)	(7,371,485)
Cash and cash equivalents, beginning of period	10,204,167	18,563,088
Cash and cash equivalents, end of period	$ 5,321,738	$ 11,191,603

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

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 accruals) considered necessary for fair statements 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 2006 audited consolidated financial statements and notes thereto on Form
10-K.

Operating results for the three months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

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. The interest in the net assets and operations of these companies other stockholders is reflected in the caption Minority interest in Speedus consolidated balance sheet and statements of operations. Through the quarter ended June 30, 2007, F&B Güdtfood and Zargis Medical continued to generate losses which, during 2005, reduced the minority interest balance to zero. As a 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. 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 June 30, 2007 and December 31, 2006, cash equivalents consisted of money market funds.

United States Treasury bills

United States Treasury bills are classified as held-to-maturity securities and are carried at amortized cost.

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 June 30, 2007 and December 31, 2006, marketable securities consisted of publicly traded equity securities which were recorded at fair market value. Their original cost was $722,000 and $887,000, unrealized losses since acquisition were $187,000 and $533,000 and the carrying value was $535,000 and $354,000, respectively. At June 30, 2007, based upon the fair market value of these securities, 100% was invested in technology companies.

Other investments

The Company has invested in equity and debt instruments of non-publicly held companies and accounts for them under the cost method since the Company does not have the ability to exercise significant influence over operations. The Company monitors 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 records reductions in carrying values when necessary. The Company does not believe there has been any impairment of other investments at June 30, 2007.

Other investments consist of:

	June 30, 2007	December 31, 2006
(a) 791,667 shares of preferred stock of a non-publicly held cardiovascular technology company, recorded at cost in the amount of $300,000. In connection with this investment, the Company also received warrants expiring in 2009 to purchase 375,000 shares of common stock at $.40 per share. This investment was acquired in 2004.	$ 300,000	$ 300,000
(b) an investment in an entity specifically formed to invest in convertible preferred stock in a non-publicly held online and directory assistance company, recorded at cost in the amount of $250,000. The preferred stock is convertible into shares of common stock at a conversion price equal to 50% of the price of the common stock in an initial public offering. This investment was acquired in 2005.	250,000	250,000
(c) an investment in an entity specifically formed to invest in a senior third-party note of a non-publicly held online and directory assistance company, recorded at cost in the amount of $250,000. The note is convertible into shares of common stock at a conversion price equal to the price of the common stock in an initial public offering. This investment was acquired in 2005.	250,000	250,000
	$ 800,000	$ 800,000

Securities Sold But 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. The amounts shown on the balance sheet as Securities sold and not purchased represent the value of these securities at fair market value. At June 30, 2007 and December 31, 2006, there were no securities sold and not purchased.

Concentrations of Credit Risk

Financial instruments that potentially could subject the Company to concentrations of credit risk consist largely of cash equivalents and marketable securities. These instruments are potentially subject to concentrations of credit risk but the Company believes that this risk is limited due to diversification and investments being made in investment grade securities.

The Company has in the past and may in the future sell publicly traded equity securities that it does not own in anticipation of declines in the fair market values of the securities. When the Company sells securities that it does not own, it must borrow the securities it sold in order to deliver them and settle the trades. Thereafter, the Company must buy the securities and deliver them to the lender of the securities. 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.

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 Statement of Financial Accounting Standards 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.

Other Intangible Assets

At June 30, 2007, other intangible assets consist of medical technology in connection with the acquisition of a controlling interest in Zargis Medical during 2003 and additional investment in 2004. Medical technology, in the aggregate amount of $1,160,000 with accumulated amortization of $1,149,000 at June 30, 2007 is being amortized over a period of three years.

Amortization expense relating to intangible assets for the three and six months ended June 30, 2007 and 2006 amounted to $11,000, $22,000, $159,000 and $345,000, respectively. The estimated amortization expense for the balance of 2007, the expiration of the remaining useful life of the Company s intangible assets at June 30, 2007, is $11,000. Amortization expense is included in Depreciation and amortization on the accompanying Consolidated Statement of Operations and not allocated to Selling, General and Administrative or Research and Development .

Revenue Recognition

Revenues from F&B Güdtfood s operations are recorded on a cash basis.

Earnings Per Share

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

For the three and six months ended June 30, 2007 and 2006, outstanding stock options and warrants in the aggregate weighted average amount of 2,194,000, 2,180,000, 2,123,000 and 1,926,000, respectively, have been excluded from the diluted loss per share since their effect would be antidilutive.

Stock Options

Effective January 1, 2006, the Company adopted FASB 123R, Share-Based Payment , using the modified prospective application method. Under this method, for all unvested awards as of January 1, 2006, the Company records 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. For awards granted after January 1, 2006, 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 and six months ended June 30, 2007 and 2006 was $22,000, $56,000, $517,000 and $548,000, 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 both Speedus and Zargis are evaluated and revised, as necessary, to reflect market conditions and experience.

Recent Accounting Pronouncements

There have been no recent accounting pronouncements which upon future adoption would have an effect on the Company s results of operations or financial position, except as disclosed below.

In September 2006, the Financial Accounting Standards Board issued FASB 157, Fair Value Measurements . FASB 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FASB 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company does not expect adoption of FASB No. 157 to have a material effect on its results of operations or financial position.

In February 2007, the Financial Accounting Standards Board issued FASB No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115, which permits companies to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). FASB 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the possible impact of adopting FASB No. 159 on our consolidated financial statements.

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 the date of adoption, there were no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months from the date of adoption of FIN 48 or from June 30, 2007. As of June 30, 2007, 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, upon adoption of FIN 48, the Company s open tax years extend back to 2000. 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 Statements of Operations or Consolidated Balance Sheets upon adoption of FIN 48 or as of and for the three and six months ended June 30, 2007.

2. Business Segment Information

The following table sets forth the Company s financial performance by reportable operating segment for the three and six months ended June 30, 2007 and 2006.

	Three months ended June 30, 2007				
	F&B	Zargis	Wibiki	Corporate and other	Totals
Revenues from external customers	$ 202,136	$ 11,000	$	$	$ 213,136
Depreciation and amortization	34,875	1,861	0	16,364	53,100
Operating loss	(202,474)	(369,549)	(94,078)	(441,814)	(1,107,915)
Investment income/(loss)	483			512,567	513,050
Other intangible assets		11,364			11,364
Fixed assets	452,863	18,472		6,650	477,985
Total assets	622,269	87,135		14,582,513	15,291,917

	Three months ended June 30, 2006				
	F&B	Zargis	Wibiki	Corporate and other	Totals
Revenues from external customers	$ 209,069	$	$	$	$ 209,069
Depreciation and amortization	37,202	3,090		164,211	204,503
Operating loss	(447,127)	(439,506)	(174,766)	(1,071,520)	(2,132,919)
Investment income/(loss)	551	41		(78,849)	(78,257)
Other intangible assets		71,760		206,384	278,144
Fixed assets	612,775	25,896		26,600	665,271
Total assets	749,924	180,607		18,413,432	19,343,963

	Six months ended June 30, 2007				
	F&B	Zargis	Wibiki	Corporate and other	Totals
Revenues from external customers	$ 375,455	$ 11,000	$	$	$ 386,455
Depreciation and amortization	66,840	5,526		32,727	105,093
Operating loss	(398,120)	(875,420)	(161,189)	(1,080,570)	(2,515,299)
Investment income/(loss)	895			709,270	710,165

	Six months ended June 30, 2006				
	F&B	Zargis	Wibiki	Corporate and other	Totals
Revenues from external customers	$ 427,801	$	$	$ 338	$ 428,139
Depreciation and amortization	83,003	5,648		354,742	443,393
Operating loss	(644,682)	(828,784)	(371,345)	(1,694,708)	(3,539,519)
Investment income/(loss)	1,026	58		34,565	35,649

The Company has no foreign operations. During the three and six months ended June 30, 2007 and 2006, the Company did not have sales to any individual customer greater than 10% of total Company revenues. The Company s accounting policies for segments are the same as those described in Note 1.

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, 2006.

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

Speedus Corp. is a holding company that owns significant equity interests in diverse businesses. We seek business opportunities across all industries for potential transactions and relationships in which we can apply our current resources and management strengths. The companies that we target, either public or privately held, will be seeking growth or restructuring capital to pursue near term business objectives in demonstrated markets. We will continue to pursue opportunities involving our expertise in the medical device and wireless markets, as well as those areas involving our broadband assets as attractive opportunities present themselves.

We have 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. Zargis Acoustic Cardioscan® (Cardioscan®), Zargis core product, is the first and only FDA-authorized computer-assisted medical device designed to support physicians in analyzing heart sounds for the identification of suspected systolic and diastolic murmurs which are a potential sign of heart disease. We own 90% of F&B Güdtfood Holding Corp., the creator and operator of the original Eurocentric chic and quick café, which is operating two stores in Manhattan. In 2005, we conceived Wibiki, a new software-based wireless network that leverages existing Wi-Fi infrastructures to reduce cost, complexity and risk for users when accessing the Internet wirelessly. Wibiki s business model will employ a user opt-in advertising service we call AdChooser to generate revenues that keep Wibiki services free to users. We own a portfolio of patents that allow for high-speed wireless communications. 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. For additional information on each of our business segments, see the discussions below and Notes to Consolidated Financial Statements Note 2, Business Segment Information.

Zargis Medical Corp. In January 2001, we co-invested with Siemens Corporate Research, Inc., a subsidiary of Siemens Corporation, in Zargis Medical Corp. to develop non-invasive, diagnostic support solutions that automatically analyze acoustical data from a patient to determine physiologically significant features useful in medical diagnosis. The development of Zargis patented technology is a pioneering effort in medicine which uses advanced signal processing algorithms deployed on standard computer platforms. The first Zargis device, Cardioscan, received its initial FDA authorization in May 2004 and additional authorizations in September 2005 and March 2006. Cardioscan is currently being tested by a small group of physicians during general medical examinations and physicals to help detect and analyze suspected heart murmurs which could be a sign of valvular and congenital heart disease. Zargis is currently researching, and conducting trials on, additional noninvasive diagnostic support tools that process acoustical data from the body in order to provide an accurate and intelligible assessment of a patient s health. These assessments may be used by physicians and other healthcare providers to assist in the early identification or monitoring of heart, lung, vascular and other conditions and to provide better patient treatment.

Major next steps remaining for Zargis include continuing market trials and clinical trials for new applications of the Zargis technology and the formation of strategic partnerships designed to support product commercialization.

In February 2003, we acquired a controlling interest in Zargis Medical. At June 30, 2007, as a result of continued investment, our ownership interest was approximately 80%.

F&B Güdtfood. We own 90% of F&B Güdtfood, the creator and operator of the original Eurocentric chic and quick café, which is operating two stores in Manhattan. The acquisition price was $3,500,000 in May 2002. In February 2003, we reduced our cash investment in F&B Güdtfood and received $1,775,000 while maintaining our original 51% interest. In December 2003, as a result of renegotiation, our interest increased to 80% without an additional investment. As a result of certain milestones not having been met, in 2005 our interest increased to 90%. We have also entered into a management services contract with F&B Güdtfood that will result in direct revenues to us although these revenues will be eliminated on our consolidated financial statements.

Broadband Patents. We have accumulated a portfolio of patents that teach and cover the improvement of high-speed wireless communication systems to allow greater information content, reliability, clarity, more efficient use of licensed spectrum as compared to prior systems and other advances. We have 6 domestic patents with expiration dates ranging from 2007 through 2017, with approximately 46 international counterparts in 28 countries. We also have 4 domestic patents pending and 14 patents pending in an additional 3 countries. Certain wireless communications systems may employ a number of different combinations of our patented technology to maximize operational and spectrum efficiency. While we believe that there is great value in our patented technologies, it is a lengthy and expensive process to investigate and pursue licensing/patent infringement cases. We are evaluating a strategy for the utilization of these patents in the future, which may include pursuit of licensing or development of other strategic opportunities with users of the underlying technology. We have licensed technology in the past, both domestically and internationally, but are not currently receiving any license fees.

Wibiki. During 2005, our technology resources and experience in wireless broadband enabled us to conceive a new software-based wireless network that leverages existing Wi-Fi infrastructures to reduce cost, complexity and risk for users when accessing the Internet wirelessly. We named that network Wibiki. Wibiki offers free beta software designed to improve access to free Wi-Fi, including streamlining registration and security configuration of Wi-Fi clients and routers. Wibiki software for laptops and routers can be downloaded from www.wibiki.com. Wibiki s business model will employ a user opt-in advertising service we call AdChooser to generate revenues that keep Wibiki services free to users.

NetfreeUs. In March 2007, NetfreeUs, a new wholly-owned subsidiary, asked the FCC for authority to manage a new nationwide Wireless Public Broadband (WPB) network in the 2155-2175 MHz frequency band. Like viewers of free over-the-air television and radio, consumers of NetfreeUS Wireless Public Broadband (WPB) service will never incur monthly fees. NetfreeUS will coordinate third-party lessees who would own and operate wireless access points (WAPs). Initially, no lessee would be authorized to operate more than fifty (50) WAPs. WPB will promote localism and the provision of advertising and public service messages targeted to local interests and communities, as well as local business and economic development, through ubiquitous coverage provided by small-footprint networks. In addition, user-designated advertising would permit local customization of advertising messages to inform users about products and services of interest in the community.

There are six other applications for this band. Because the FCC has not established processing standards for these applications, we cannot predict whether and to what extent our application will be granted, if at all.

Local Multipoint Distribution Service (LMDS) license. We have an FCC commercial operating license, awarded to us in recognition of our efforts in developing and deploying LMDS technology and for spearheading its regulatory approval at the FCC, which covers 150 MHz of spectrum in the New York City area. 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 currently determinable. 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 has been renewed through February 1, 2016 conditioned upon demonstrating to the FCC by March 27, 2007 that we are providing substantial service. On March 7, 2007, we filed a notification that we are providing substantial service in accordance with FCC standards. On March 27, 2007, out of an abundance of caution, we requested a contingent waiver and an extension of time until March 27, 2010 to demonstrate substantial service, to the extent our earlier demonstration is not deemed compliant with FCC standards. On July 31, 2007, we were informed by the FCC that we had not demonstrated that we were providing substantial service on the required date and were granted a waiver to extend the construction and substantial service deadline under the Company s FCC license renewal to October 6, 2008.

Other. We have invested a portion of our assets in a portfolio of marketable securities consisting of publicly traded equity securities. We have also invested a portion of our assets in equity and debt instruments of non-publicly held companies. 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.

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

Critical Accounting Policies

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 1 to our consolidated financial statements included in this Form 10-Q and Note 2 to our consolidated financial statements included in our 2006 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, United States treasury bills and marketable securities and may include securities sold and not purchased. 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. Securities sold and not repurchased are also carried at the fair market value of the securities. 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. Prior to January 1, 2006, we accounted for our employee stock options in accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation , as amended, which defines a fair value method of measuring and accounting for compensation expense from employee stock options. FASB 123 also allowed accounting for such options under the intrinsic value method in accordance with Accounting Principles Board No. 25, Accounting for Stock Issued to Employees. We elected to use the intrinsic value method and adopted the disclosure only provisions of FASB 123. Generally, no compensation cost was recognized since stock options were issued with exercise prices equal to the market value of the underlying shares on the grant date.

Effective January 1, 2006, we adopted FASB 123R, Share-Based Payment , using the modified prospective application method. Under this method, for all unvested awards as of January 1, 2006, 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. For awards granted after January 1, 2006, we record 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.

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 six months ended June 30, 2007, 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

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loss is significantly different than the estimated loss, our results of operations will be affected in the period that the difference is known.

Three and Six Months Ended June 30, 2007 Compared to Three and Six Months Ended June 30, 2006

Revenues decreased $42,000 from $428,000 for the six months ended June 30, 2006 to $386,000 for the six months ended June 30, 2007 and remained approximately the same for the three months ended June 30, 2006 compared to the three months ended June 30, 2007. The decrease for the six month periods is primarily the result of a reduction in menu prices at the Company s first store and a lack of customer acceptance of the F&B format at the second store. We are testing new menu concepts as a solution to customer acceptance.

Selling, general and administrative expenses decreased $542,000 from $2,463,000 for the six months ended June 30, 2006 to $1,921,000 for the six months ended June 30, 2007 and decreased $789,000 from $1,599,000 for the three months ended June 30, 2006 to $810,000 for the three months ended June 30, 2007. These decreases are primarily a result of decreases in stock based compensation.

Research and development expenses decreased $168,000 from $902,000 for the six months ended June 30, 2006 to $734,000 for the six months ended June 30, 2007 and decreased $64,000 from $445,000 for the three months ended June 30, 2006 to $381,000 for the three months ended June 30, 2007. These decreases are primarily a result of a lower level of expenses incurred during 2007 in connection with new wireless initiatives by the Company.

Depreciation and amortization decreased $338,000 from $443,000 for the six months ended June 30, 2006 to $105,000 for the six months ended June 30, 2007 and decreased $152,000 from $205,000 for the three months ended June 30, 2006 to $53,000 for the three months ended June 30, 2007. These decreases are primarily a result of a decrease in amortization of medical technology from the completion of amortization of early tranches of medical technology resulting from the Zargis acquisition, net of an increase as a result of renovation to one of the F&B Restaurant stores.

Investment income increased $674,000 from a net gain of $36,000 for the six months ended June 30, 2006 to a net gain of $710,000 for the six months ended June 30, 2007 and increased $591,000 from a net loss of $78,000 for the three months ended June 30, 2006 to a net gain of $513,000 for the three months ended June 30, 2007. Realized gains decreased $85,000 from net gains of $100,000 for the six months ended June 30, 2006 and to net gains of $15,000 for the six months ended June 30, 2007. Realized gains were $15,000 for the three months ended June 30, 2007. There were no trades during the three months ended June 30, 2006. Unrealized gains increased $779,000 from net losses of $433,000 for the six months ended June 30, 2006 to net gains of $346,000 for the six months ended June 30, 2007 and increased $591,000 from net losses of $262,000 for the three months ended June 30, 2006 to net gains of $329,000 for the three months ended June 30, 2007. Interest income decreased $20,000 from $369,000 for the six months ended June 30, 2006 to $349,000 for the six months ended June 30, 2007 and decreased $15,000 from $183,000 for the three months ended June 30, 2006 to $168,000 for the three months ended June 30, 2007. 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

The Company has recorded operating losses and negative operating cash flows in each year of its operations since inception.

Net cash used in operating activities was approximately $1,900,000 for both the six months ended June 30, 2007 and 2006. While the net loss for the six month periods decreased by approximately $1,700,000 in 2007, the significant items accounting for this change are decreases in depreciation and amortization and stock based compensation of approximately $300,000 and $500,000, respectively, and an increase in unrealized appreciation of approximately $800,000, all of which are non-cash items.

Net cash used in investing activities was approximately $3,000,000 for the six months ended June 30, 2007 compared to net cash used in investing activities of approximately $5,300,000 for the six months ended June 30, 2006. This net decrease in cash used in investing activities was primarily the result of a $5,000,000 increase in maturities and a $3,000,000 decrease in purchases of United States Treasury bills and a $300,000 decrease in property and equipment additions during the six months ended June 30, 2007.

Net cash used in financing activities was $2,000 for the six months ended June 30, 2007 compared to net cash used in financing activities of $124,000 for the six months ended June 30, 2006. This decrease was a result of decreases in repurchases of treasury stock.

At June 30, 2007, the Company s future minimum lease payments due under non-cancelable leases aggregated $1,399,000. $222,000 of this amount is due during the remainder of 2007. $382,000, $233,000, $138,000 and $109,000 of this amount is due during the years ending December 31, 2008, 2009, 2010 and 2011, respectively, and $315,000 is payable thereafter. 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 $500,000, $300,000 or $200,000 if the license agreement is terminated by the Company before September 2007, September 2009 or September 2011, respectively.

The Company believes that it has sufficient liquidity to finance its current level of operations and expected capital requirements through the next twelve months. However, the Company does not expect to have earnings from operations until such time as it substantially increases its customer base and/or forms a strategic alliance for use of its 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. 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.

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 also 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.

On June 19, 2007, the Company received a letter from the Nasdaq Stock Market informing the Company that it will have 180 days, or until December 17, 2007, to regain compliance with Marketplace Rule 4310(c)(4), which requires the Company to maintain a minimum closing bid price of $1.00 per share. For the 30 consecutive business days prior to June 19, 2007, the bid price of the Company s common stock closed below $1.00 per share. This letter has no effect on the listing of the Company s common stock at this time. If at any time before December 17, 2007 the closing bid price of the Company s common stock is $1.00 or more per share for a minimum of 10 consecutive business days, the Company will have complied with the minimum bid requirement. If the Company is unable to demonstrate compliance with the minimum bid price requirement by December 17, 2007, Nasdaq will notify the Company that its common stock will be delisted from the Nasdaq Stock Market. At that time, the Company may appeal the decision to a Nasdaq Listing Qualifications Panel. The Company is considering all available options in order to maintain its listing on Nasdaq, including seeking shareholder approval for a reverse stock split.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

There have been no recent accounting pronouncements which upon future adoption would have an effect on the Company s results of operations or financial position, except as disclosed below.

In September 2006, the Financial Accounting Standards Board issued FASB 157, Fair Value Measurements . FASB 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FASB 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company does not expect adoption of FASB No. 157 to have a material effect on its results of operations or financial position.

In February 2007, the Financial Accounting Standards Board issued FASB No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115, which permits companies to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). FASB 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the possible impact of adopting FASB No. 159 on our consolidated financial statements.

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 the date of adoption, there were no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months from the date of adoption of FIN 48 or from March 31, 2007. As of March 31, 2007, 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, upon adoption of FIN 48, the Company s open tax years extend back to 2000. 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 Statements of Operations or Consolidated Balance Sheets upon adoption of FIN 48 or as of and for the three and six months ended June 30, 2007.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company s financial instruments at June 30, 2007 consist primarily of cash equivalents, which are subject to interest rate risk, and marketable securities, which are subject to price risk.

As part of our overall investment strategy, we invest in 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 also sell publicly traded equity securities that we do not own in anticipation of declines in the fair market values of the 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 which could have a material adverse effect on the Company s consolidated financial statements.

The carrying value of cash equivalents approximates market value since these highly liquid, interest earning investments are invested in money market funds. The Company s investment in marketable securities consists of publicly traded equity securities classified as trading securities and are recorded at fair market value. Securities sold and not repurchased are carried at the fair market value of the securities.

ITEM 4T. CONTROLS AND PROCEDURES

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Company s Chief Executive Officer and the Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this report.

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 June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Item 3 to the Company s Form 10-K for the year ended December 31, 2006 is incorporated herein by reference.

In May 2007, we reached a mutual agreement with Cellco Partnership (d/b/a Verizon Wireless) leading to the dismissal of the two separate complaints that we filed against Verizon Wireless. No financial consideration was paid or received by either party.

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)
April 1, 2007 - April 30, 2007	0	$	0	$ 415,740
May 1, 2007 - May 31, 2007	0	$	0	$ 415,740
June 1, 2007 - June 30, 2007	1,650	$ 1.04	1,650	$ 414,022
Total	1,650	$ 1.04	1,650	$ 414,022

(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.

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

None.

ITEM 5. OTHER INFORMATION

None.

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.

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: August 14, 2007	By: /s/ Shant S. Hovnanian
	Shant S. Hovnanian Chairman of the Board, President and Chief Executive Officer
Date: August 14, 2007	By: /s/ Thomas M. Finn
	Thomas M. Finn Treasurer and Chief Financial and Accounting Officer