P COM INC
Form PRER14A
October 16, 2003

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant |X|

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

|X| Preliminary Proxy Statement
|_| Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
|_| Definitive Proxy Statement
|_| Definitive Additional Materials
|_| Soliciting Material Pursuant to ss. 14a-11 or ss. 240.14a-12.

P-COM, INC. / SPEEDCOM WIRELESS CORPORATION

(Name of Registrant as Specified in Charter)

Payment of Filing Fee (Check the appropriate box)

|_| No fee required.
|X| Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common stock, par value $0.0001 per share, of P-Com, Inc.

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(2) Aggregate number of securities to which transaction applies:

67,500,000 shares of common stock of P-Com, Inc.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

$____ per share of common stock of P-Com, Inc. See Footnote (1) below.

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(4) Proposed maximum aggregate value of transaction:

See Footnote (2) below.

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(5) Total fee paid: $__________

|X| Fee paid previously with preliminary materials.

|_| Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date filed:

(1) Estimated solely for the purpose of calculating the filing fee pursuant to Rule 0-11(a)(4) under the Securities Exchange Act of 1934, as amended, based on the average of the bid and asked prices per share of the common stock of P-Com, Inc., on September 5, 2003, as reported on the OTC Bulletin Board.

(2) The proposed maximum aggregate value of the transaction is $19,950,000, consisting of (i) 67,500,000 shares of common stock of P-Com, Inc., valued at $14,850,000 (based on a per share value of $0.22, as described in Footnote (1) above), and (ii) $5,100,000 of liabilities of SPEEDCOM Wireless Corporation to be assumed by P-Com, Inc.

[LOGO]PCOM

October __, 2003

Dear Stockholder:

You are cordially invited to attend the annual meeting of the stockholders of P-Com, Inc. or a special meeting of the stockholders of SPEEDCOM Wireless Corporation. At the meetings, you will be asked to consider proposals related to P-Com's acquisition of substantially all of SPEEDCOM's assets, among other important matters listed below.

At the SPEEDCOM special meeting, SPEEDCOM stockholders will be asked to consider the following proposals:

- to adopt and approve the Asset Purchase Agreement, dated as of June 16, 2003, pursuant to which SPEEDCOM has agreed to sell substantially all of its assets to P-Com (the "Acquisition") and

- to approve an amendment to SPEEDCOM's certificate of incorporation to increase the authorized common stock of SPEEDCOM from 250,000,000 shares to 500,000,000 shares.

At the P-Com annual meeting, P-Com stockholders will be asked to:

- approve an amendment to P-Com's certificate of incorporation to increase the authorized common stock of P-Com from 69,000,000 shares to 700,000,000 shares;
- approve an amendment to P-Com's certificate of incorporation to implement a reverse split of P-Com's common stock at a ratio between 1-for-10 and 1-for-30;
- approve an amendment to P-Com's bylaws;
- approve the price-based antidilution feature of some of P-Com's outstanding convertible notes, convertible preferred stock and warrants, which were issued in connection with previous private financing transactions;
- approve amendments to P-Com's 1995 Stock Option/Stock Issuance Plan;
- elect two directors to the board of directors of P-Com;
- and ratify the appointment of Aidman Piser & Company as independent auditors of P-Com.

At their respective meetings, stockholders of SPEEDCOM and P-Com will also be asked to give management of their respective companies the discretionary authority to adjourn the meeting to a later date or dates, but not later than December __, 2003, in order to solicit additional proxies in favor of any of the proposals listed above.

In order to complete the Acquisition, P-Com's stockholders must approve the amendment to P-Com's certificate of incorporation to increase the number of shares of common stock that P-Com is authorized to issue so that P-Com may issue the 67,500,000 shares of its common stock to SPEEDCOM. In addition, P-Com's stockholders must approve the amendment to allow for the issuance of common stock upon conversion or exercise of P-Com's outstanding Series B Preferred Stock, Series C Preferred Stock, and warrants and options. If the proposal to approve the amendment is not approved, a default under the provisions of certain of those securities will be triggered, as discussed under "Effect of Proposed Amendment" on page 96 of the attached materials.The dates, times, and places of the annual meeting of the stockholders of P-Com and the special meeting of the stockholders of SPEEDCOM are as follows:

For SPEEDCOM stockholders:	For P-Com stockholders:
November __, 2003 at 9:00 a.m. local time at the corporate officers of P-Com, Inc. 3175 S. Winchester Boulevard Campbell, California 95008	November __, 2003 at 10:00 a.m. local time at the corporate offices of P-Com, Inc. 3175 S. Winchester Boulevard Campbell, California 95008

Under the terms of the Asset Purchase Agreement, P-Com will acquire substantially all of the assets of SPEEDCOM in exchange for (i) 67,500,000 shares of P-Com's common stock, and (ii) the assumption by P-Com of certain of SPEEDCOM's liabilities, totaling up to approximately $5.1 million. The number of shares of P-Com common stock to be issued to SPEEDCOM represents 11.8% of

P-Com's common stock issued and outstanding on October 10, 2003, assuming conversion of the Series B Preferred Stock and Series C Preferred Stock, as discussed on page 28 of the attached materials. The number of shares of P-Com common stock to be issued will not be adjusted based upon changes in its market price. As a result, the market value of the shares of P-Com common stock to be received by SPEEDCOM will depend on the market price of P-Com common stock at the time of the closing of the Acquisition.

P-Com's common stock is currently traded on the OTC Bulletin Board under the symbol "PCOM" and on October 10, 2003, the closing price of P-Com's common stock was $0.21 per share. Based on the market price of P-Com common stock on that date, the value of the P-Com shares to be issued to SPEEDCOM is $14,175,000.

Assuming P-Com shareholders approve all proposals, the total number of shares of common stock that will be outstanding and reserved for issuance under all plans and commitments of P-Com is 573,964,229. The current number of shares of common stock issued and outstanding will represent 7.6% of all outstanding shares of P-Com common stock if all of the proposals are approved.

After careful consideration, the board of directors of SPEEDCOM has approved the Asset Purchase Agreement and the Acquisition and recommends that the stockholders of SPEEDCOM vote (i) FOR the approval of the Asset Purchase Agreement and the Acquisition described in the attached materials, (ii) FOR the amendment to SPEEDCOM's certificate of incorporation, and (iii) FOR granting SPEEDCOM's management the discretionary authority to adjourn the special meeting.

After careful consideration, the board of directors of P-Com has approved the Asset Purchase Agreement and the Acquisition. In order to complete the Acquisition, P-Com's stockholders must approve the proposal to amend P-Com's certificate of incorporation to increase the number of shares of common stock that P-Com is authorized to issue. The board of directors of P-Com recommends that the stockholders of P-Com vote (i) FOR the amendments to P-Com's certificate of incorporation, (ii) FOR the amendment of P-Com's bylaws, (iii) FOR the approval of the price-based antidilution feature of some of P-Com's convertible securities, which were issued in connection with previous private financing transactions, (iv) FOR the amendment to P-Com's 1995 Stock Option/Stock Issuance Plan, (v) FOR the election of P-Com's director nominees to the board of directors of P-Com, (vi) FOR the ratification of the appointment of Aidman Piser & Company as independent auditors of P-Com, all as further described in the attached materials, and (vii) FOR granting P-Com's management the discretionary authority to adjourn the annual meeting.

The accompanying notice of the annual meeting of the stockholders of P-Com, notice of the special meeting of the stockholders of SPEEDCOM, and joint proxy statement explain the proposed Acquisition and the other proposals being presented for your approval, and they provide specific information about the annual and special meetings. Please read these materials carefully. In particular, you should carefully consider the discussion in the sections entitled "Risk Factors" beginning on page 7 and "The Acquisition" beginning on page 27.

Whether or not you expect to attend the meetings, please complete, date, sign and promptly return the accompanying proxy in the enclosed postage paid envelope so that your shares may be represented at the meeting, regardless of the number of shares you own. If you sign, date and return your proxy card without indicating how you want to vote, your proxy will be voted in accordance with the recommendations of the respective boards of directors.

We join our boards of directors in strongly supporting the Acquisition and recommend that you vote in favor of the proposals presented to you for approval.

Sincerely,	Sincerely,
/s/ Sam Smookler	/s/ Mark Schaftlein
Sam Smookler President and Chief Executive Officer of P-Com, Inc.	Mark Schaftlein Chief Financial Officer of SPEEDCOM Wireless Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Acquisition described in this joint proxy statement or the P-Com common stock to be issued in connection with the Acquisition or determined if this joint proxy statement is accurate or adequate. Any representation to the contrary is a criminal offense.

This joint proxy statement is dated October __, 2003, and was first mailed to stockholders of P-Com and SPEEDCOM on or about October __, 2003.

[LOGO]PCOM

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER __, 2003

TO THE STOCKHOLDERS OF P-COM, INC.:

NOTICE IS HEREBY GIVEN that the 2003 Annual Meeting of Stockholders of P-Com, Inc., a Delaware corporation, will be held on November __, 2003 at 10:00 a.m., local time at the corporate offices of P-Com, Inc. located at 3175 S. Winchester Boulevard, Campbell, California 95008. At the meeting, you will be asked to vote on the following matters:

1. To approve an amendment to P-Com's certificate of incorporation to increase the number of shares of common stock authorized for issuance from 69,000,000 shares to 700,000,000 shares.

2. To approve an amendment to P-Com's certificate of incorporation to implement a reverse split of P-Com's common stock at a ratio between 1-for-10 and 1-for-30. The ratio at which the reverse stock split will be implemented will be selected by P-Com's board of directors in its discretion, and the reverse stock split will be effected by the filing of a certificate of amendment in one of the forms attached to this joint proxy statement as Annex B.

3. To approve an amendment to P-Com's bylaws to permit the issuance of securities that are convertible, exercisable or exchangeable into shares of P-Com common stock at a conversion, exercise or exchange price per share that is subject to downward adjustment without having to obtain the approval of the holders of a majority of P-Com's outstanding common stock.

4. To approve the price-based antidilution feature of some of P-Com's outstanding convertible notes, convertible preferred stock and warrants, which will enable the conversion and exercise prices of these securities to be adjusted downward in the event that P-Com subsequently issues additional shares of its common stock or other securities convertible into or exercisable for shares of its common stock at a price per share that is less than the price per share paid by the purchasers of these securities..

5. To approve an amendment to P-Com's 1995 Stock Option/Stock Issuance Plan (which is referred to in this notice as the "Stock Option Plan") to (i) increase the number of shares of P-Com common stock reserved for issuance under the Stock Option Plan from 5,786,000 shares to 66,786,000 shares, and (ii) extend the term of the Stock Option Plan from 10 years to 15 years.

6. To elect two directors to P-Com's board of directors to serve for three-year terms ending upon the 2006 annual meeting of stockholders or until a successor is duly elected and qualified.

7. To ratify the appointment of Aidman Piser & Company as independent auditors of P-Com for the fiscal year ending December 31, 2003.

8. To grant P-Com's management the discretionary authority to adjourn the annual meeting to a date or dates not later than December ___, 2003, if necessary to enable P-Com's board of directors to solicit additional proxies in favor of any of the proposals listed above.

9. To consider such other matters as may properly come before the annual meeting or any adjournment of the annual meeting.

P-Com's board of directors has approved each of the proposals and recommends that you vote FOR each of the proposals as described in the attached materials. Before voting, you should carefully review all the information contained in the attached joint proxy statement and in particular you should consider the matters discussed under "Risk Factors" beginning on page 7.

All P-Com stockholders are cordially invited to attend the P-Com annual meeting in person. Whether or not you expect to attend the annual meeting, please complete, date, sign and promptly return the accompanying proxy in the enclosed postage paid envelope so that your shares may be represented at the annual meeting, regardless of the number of shares you own. If you receive more than one proxy card because your shares are registered in different names and addresses, each proxy card should be signed and returned to assure that all your shares will be represented at the annual meeting. You may revoke your proxy at any time prior to the annual meeting. If you attend the annual meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the annual meeting will be counted.

Only P-Com stockholders of record at the close of business on October 15, 2003, the record date for the P-Com annual meeting, are entitled to receive notice of and to vote at the annual meeting or any adjournment of the annual meeting. The stock transfer books of P-Com will remain open between the record date and the date of the annual meeting. A list of stockholders entitled to vote at the annual meeting will be available for inspection at the executive offices of P-Com.

Sincerely,

/s/ Sam Smookler
Sam Smookler
President and Chief Executive Officer

October __, 2003
Campbell, California

YOUR VOTE IS IMPORTANT.

PLEASE EITHER (1) MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE ENCLOSED POSTAGE-PAID ENVELOPE; (2) USE THE TELEPHONE NUMBER INDICATED BELOW OR SHOWN ON THE PROXY CARD TO SUBMIT YOUR PROXY BY TELEPHONE OR (3) VISIT THE WEBSITE INDICATED BELOW OR NOTED ON YOUR PROXY CARD TO SUBMIT YOUR PROXY ON THE INTERNET. IN THIS WAY, IF YOU ARE UNABLE TO ATTEND IN PERSON, YOUR SHARES CAN STILL BE VOTED AT THE P-COM ANNUAL MEETING.

VOTING ELECTRONICALLY OR BY TELEPHONE

In addition to submitting your proxy by mail, you may also submit your proxy:

- through the Internet, by visiting a website established for that purpose at http://www.eproxyvote.com/pcom and following the instructions; or

- by telephone, by calling the toll-free number 1-877-PRX-VOTE (1-877-799-8683) in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions.

If you are a beneficial owner, please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you.

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wireless

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD NOVEMBER __, 2003

TO THE STOCKHOLDERS OF SPEEDCOM WIRELESS CORPORATION:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of SPEEDCOM Wireless Corporation will be held on November __, 2003, at 9:00 a.m.

local time at the corporate offices of P-Com located at 3175 S. Winchester Boulevard, Campbell, California 95008. At the special meeting, you will be asked to vote on the following matters:

1. To adopt and approve the Asset Purchase Agreement, dated June 16, 2003, between SPEEDCOM and P-Com, and to approve the Acquisition whereby P-Com will acquire substantially all of the assets of SPEEDCOM and assume certain liabilities of SPEEDCOM.

2. To adopt an amendment to SPEEDCOM's certificate of incorporation to increase the number of authorized shares of common stock from 250,000,000 to 500,000,000 shares.

3. To grant SPEEDCOM's management the discretionary authority to adjourn the special meeting to a date or dates not later than December __, 2003, if necessary to enable SPEEDCOM's board of directors to solicit additional proxies in favor of any of the proposals listed above.

4. To consider such other matters as may properly come before the special meeting or any adjournment of the special meeting.

SPEEDCOM's board of directors has approved each of the proposals and recommends that you vote FOR each of the proposals as described in the attached materials. Before voting, you should carefully review all the information contained in the attached joint proxy statement and in particular you should consider the matters discussed under "Risk Factors" beginning on page 7.

All SPEEDCOM stockholders are cordially invited to attend the SPEEDCOM special meeting in person. Whether or not you expect to attend the annual meeting, please complete, date, sign and promptly return the accompanying proxy in the enclosed postage paid envelope so that your shares may be represented at the special meeting, regardless of the number of shares you own. If you receive more than one proxy card because your shares are registered in different names and addresses, each proxy card should be signed and returned to assure that all your shares will be represented at the special meeting. You may revoke your proxy at any time prior to the special meeting. If you attend the special meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the special meeting will be counted.

Only SPEEDCOM stockholders of record at the close of business on October __, 2003, the record date for the SPEEDCOM special meeting, are entitled to receive notice of and to vote at the special meeting or any adjournment of the special meeting. The stock transfer books of SPEEDCOM will remain open between the record date and the date of the special meeting. A list of stockholders entitled to vote at the special meeting will be available for inspection at the executive offices of SPEEDCOM.

Sincerely,

/s/ Mark Schaftlein
Mark Schaftlein
Chief Financial Officer

October __, 2003
Sarasota, Florida

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY, COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED ENVELOPE.

WHERE YOU CAN FIND MORE INFORMATION

P-Com and SPEEDCOM each file, and after the Acquisition will continue to file, reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Copies of these reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at:

Judiciary Plaza
Room 1024
450 Fifth Street, N.W.
Washington, D.C. 20549

Copies of these materials can also be obtained by mail at prescribed rates from the Public Reference Room of the SEC at the address set forth above or by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information about issuers, including P-Com and SPEEDCOM, that file electronically with the SEC. The address of the SEC's website is http://www.sec.gov.

Information on P-Com's Websites

Information on any P-Com website or the website of any subsidiary of P-Com is not part of this joint proxy statement and P-Com stockholders should not rely on that information in deciding whether to approve the proposals described in this joint proxy statement, unless that information is also in this joint proxy statement.

Information on SPEEDCOM's Websites

Information on any SPEEDCOM website is not part of this joint proxy statement and SPEEDCOM stockholders should not rely on that information in deciding whether to approve the Acquisition, unless that information is also in this joint proxy statement.

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QUESTIONS AND ANSWERS ABOUT THE ACQUISITION

Q: Why is P-Com purchasing substantially all of the assets of SPEEDCOM?

A: P-Com and SPEEDCOM are proposing to combine their business operations by having P-Com purchase substantially all of the assets of SPEEDCOM. We believe P-Com's acquisition of SPEEDCOM's business will provide P-Com with complimentary unlicensed point-to-point and spread spectrum wireless access systems, at lower price points, and, therefore, provide additional opportunities for growth. Following the Acquisition, P-Com will also have greater access to enterprise and government markets through sales channels established by SPEEDCOM. Together with the increased scale and reduced administrative expenses, we believe the broader range of wireless radio products and additional markets will provide P-Com with a better opportunity to achieve profitability.

Q: Why is SPEEDCOM selling its assets?

A: Given the recent operating performance of SPEEDCOM, the current industry and financial market conditions, and the cost of remaining an independent public company, it became necessary to either engage in a combination transaction or to sell substantially all of its assets. SPEEDCOM believes the opportunities to derive value for its operating and other assets are greatly enhanced as a result of the sale of its business to P-Com, which, because of its size, has a greater ability to leverage the combined assets to increase sales and revenues. As a result of the sale to P-Com, SPEEDCOM will be able to realize the expected benefits from the combined business, while still developing additional revenue-generating opportunities.

Q. What assets are being sold to P-Com in the Acquisition?

A: In the Acquisition, P-Com will acquire substantially all of the assets used by SPEEDCOM in the operation of its business.

Q: What will SPEEDCOM receive in the Acquisition?

A: In the Acquisition, SPEEDCOM will receive 67,500,000 shares of P-Com common stock and have up to approximately $5.1 million of its liabilities assumed by P-Com. The number of shares of P-Com common stock to be issued to SPEEDCOM will not be adjusted based upon changes in the market price of P-Com common stock. As a result, the market value of the P-Com common stock to be received by SPEEDCOM in the Acquisition will fluctuate as the market price of P-Com common stock fluctuates. Neither P-Com nor SPEEDCOM has the right to terminate the Asset Purchase Agreement due to changes in the market price of P-Com common stock.

Q: How will P-Com stockholders be affected by the Acquisition?

A: P-Com stockholders will continue to own the same number of shares of P-Com common stock that they owned immediately prior to the Acquisition. Each share of P-Com common stock, however, will represent a smaller ownership percentage of a significantly larger company.

Q: What will SPEEDCOM do after the Acquisition is completed?

A: Following the completion of the Acquisition, SPEEDCOM plans to significantly reduce its monthly overhead in order to preserve its remaining cash and begin developing revenue-generating opportunities. If the Acquisition had been completed on September 2, 2003, SPEEDCOM would have (i) approximately $200,000 in cash and accounts receivable, after paying transaction related costs and some of SPEEDCOM's other outstanding obligations, (ii) 67,500,000 shares of P-Com common stock having a market value of approximately $12,825,000, (iii) approximately $2.0 million in debt, and (iv) no revenue producing business operations.

Q: How will SPEEDCOM stockholders be affected by the Acquisition?

A: SPEEDCOM stockholders will continue to own the same number of shares of SPEEDCOM common stock that they owned immediately prior to the Acquisition. Each share of SPEEDCOM common stock will represent the same ownership percentage of a company with substantially less debt and whose principal asset consists of 67,500,000 shares of P-Com common stock.

Q: What are the material United States tax consequences of the Acquisition to SPEEDCOM?

A: SPEEDCOM will recognize gain from the Acquisition in an amount equal to the difference between the fair market value of the consideration received from the sale of its assets and liabilities and SPEEDCOM's adjusted tax basis in those same assets and liabilities. However, SPEEDCOM currently has sufficient net operating losses to offset the taxable gain based on the current terms of the Acquisition.

Q: What are the material United States tax consequences of the Acquisition to P-Com stockholders and SPEEDCOM stockholders?

A: The Acquisition will not materially affect P-Com stockholders and SPEEDCOM stockholders for United States income tax purposes.

We encourage P-Com and SPEEDCOM stockholders to consult their own tax advisors for a full understanding of the tax consequences of the Acquisition.

Q: What stockholder votes are needed to approve the Acquisition?

A: In order to issue the 67,500,000 shares of P-Com common stock as part of the Acquisition, P-Com's certificate of incorporation must be amended to increase the number of shares of common stock that P-Com is authorized to issue. The affirmative vote of (i) the holders of a majority of the shares of P-Com common stock outstanding on the record date, voting as a separate class, and (ii) the holders of a majority of the shares of P-Com common stock and Series C Preferred Stock outstanding on the record date, voting together as a single class, is required to approve the proposed amendment to P-Com's certificate of incorporation to increase the number of authorized shares.

For SPEEDCOM, the affirmative vote of the holders of a majority of the outstanding SPEEDCOM common stock, as of the record date, is required to approve and adopt the Asset Purchase Agreement and the Acquisition.

Q: Why is P-Com proposing to amend its charter to increase the number of authorized shares of common stock?

A: P-Com intends to pay for the assets of SPEEDCOM by issuing 67,500,000 shares of P-Com common stock. P-Com is currently authorized to issue up to 69,000,000 shares of its common stock, and as of the record date, P-Com had approximately 43,517,644 shares of common stock outstanding and approximately 17,326,670 shares of common stock reserved for issuance upon conversion, exercise or exchange of some of its convertible securities. As a result, P-Com will not have enough shares of authorized common stock available for issuance to SPEEDCOM in connection with the Acquisition unless the proposed amendment to P-Com's certificate of incorporation is approved.

P-Com is also obligated to issue shares of its common stock upon the conversion or exercise of some of its outstanding convertible securities for which it has not reserved a sufficient number of authorized and unissued shares of common stock. In order to provide P-Com's board of directors with sufficient shares to meet its existing obligations and the flexibility to issue additional securities in connection with general corporate purposes, P-Com is asking its stockholders to approve the proposed amendment to P-Com's certificate of incorporation to increase the number of authorized shares of common stock from 69,000,000 to 700,000,000.

Q: Why is P-Com proposing to amend its charter to effect a reverse stock split?

A: P-Com common stock currently trades on the OTC Bulletin Board. P-Com is proposing to effect a reverse stock split primarily for the purpose of increasing the bid price per share of its common stock above the $4.00 per share minimum bid price that is required for initial inclusion in The Nasdaq Stock Market. Furthermore, P-Com's board of directors believes that the low market price of P-Com common stock impairs its marketability and creates a negative impression of P-Com. P-Com hopes that the decrease in the number of shares of its outstanding common stock resulting from the reverse stock split and the anticipated increase in the per share trading price will encourage greater interest in its common stock among members of the financial community and the investing public.

Q: What vote is required to approve the proposed amendments to P-Com's certificate of incorporation?

A: The proposals to amend P-Com's certificate of incorporation will require the affirmative vote of (i) the holders of a majority of the shares of P-Com common stock outstanding on the record date, voting as a separate class, and (ii) the holders of a majority of the shares of P-Com common stock and Series C Preferred Stock outstanding on the record date, voting together as a single class.

Q: Why is P-Com proposing to amend its bylaws?

A: P-Com's bylaws currently require P-Com to obtain the approval of the holders of a majority of the outstanding shares of P-Com common stock when issuing any securities that are convertible, exercisable or exchangeable for shares of common stock at a conversion, exercise or exchange price that is subject to downward adjustment. P-Com's board of directors believes it would be in the best interests of P-Com and its stockholders to amend P-Com's bylaws to permit the issuance of these convertible securities without stockholder approval.

Q: What vote is required to approve the proposed amendment to P-Com's bylaws?

A: The proposal to amend P-Com's bylaws will require the affirmative vote of (i) the holders of a majority of the shares of P-Com common stock outstanding on the record date, voting as a separate class, and (ii) the holders of a majority of the shares of P-Com common stock and Series C Preferred Stock outstanding on the record date, voting together as a single class.

Q: What is the proposal to approve the price-based antidilution feature of some of P-Com's outstanding convertible securities?

A: On March 26, 2003, May 28, 2003, July 18, 2003, and October 3, 2003, P-Com consummated private financing transactions in which it issued convertible notes, convertible preferred stock and warrants that are convertible into or exercisable for shares of P-Com common stock. Subject to approval by P-Com's stockholders, the conversion price of the notes of the preferred stock and the exercise price of the warrants are subject to downward adjustment in the event that P-Com subsequently issues additional shares of its common stock or other securities convertible into or exercisable for shares of its common stock at a price per share that is less than the price per share paid by the purchasers of these securities. Currently, the downward adjustment feature of these securities is ineffective. In order for this downward adjustment feature to take effect, it must be approved by P-Com's stockholders in accordance with Article VII, Section 8(iii) of P-Com's bylaws.

Q: What vote is required to approve P-Com's price-based antidilution feature of convertible securities?

A: The proposal to approve the price-based antidilution feature of P-Com's convertible securities will require the affirmative vote of (i) the holders of a majority of the shares of P-Com common stock outstanding on the record date, voting as a separate class, and (ii) the holders of a majority of the shares of P-Com common stock and Series C Preferred Stock outstanding on the record date, voting together as a single class.

Q: What are the SPEEDCOM and P-Com adjournment proposals?

A: In the two adjournment proposals, SPEEDCOM and P-Com are each asking their stockholders to grant management the discretionary authority to adjourn their respective meetings, to a date or dates not later than December __, 2003, if the number of P-Com shares voting in favor of any P-Com proposal or the number of SPEEDCOM shares voting in favor of any SPEEDCOM proposal is insufficient to approve those proposals at the annual or special meeting. Adjourning the annual or special meeting to a later date will provide additional time to solicit proxies in favor of those proposals.

Q: What vote is required to approve the adjournment proposals?

A: The P-Com adjournment proposal will require the affirmative vote of the holders of a majority of the shares of P-Com common stock and Series C Preferred Stock present in person or represented by proxy and entitled to vote at the P-Com annual meeting.

The SPEEDCOM adjournment proposal will require the affirmative vote of the holders of a majority of the shares of SPEEDCOM common stock present in person or represented by proxy and voting at the SPEEDCOM special meeting.

Q: When do you expect to complete the Acquisition?

A: We are working to complete the Acquisition as quickly as possible. We expect to complete the Acquisition in the fourth quarter of 2003.

Q: Are SPEEDCOM or P-Com stockholders entitled to appraisal or dissenters' rights?

A: Under Delaware law, SPEEDCOM and P-Com stockholders are not entitled to appraisal or dissenters' rights.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this joint proxy statement, please complete, sign and date your proxy and return it in the enclosed return envelope as soon as possible, so that your shares may be represented at the annual meeting of P-Com stockholders or the special meeting of SPEEDCOM stockholders. If you sign, date and return your proxy card but do not include instructions on how to vote your proxy, we will vote your shares FOR the proposals described in this joint proxy statement.

P-Com stockholders may also submit their proxies electronically by calling the toll-free telephone number or visiting the Internet website shown on their proxy cards.

You may attend your annual meeting, if you are a P-Com stockholder, or your special meeting, if you are a SPEEDCOM stockholder, and vote your shares in person rather than voting by proxy.

Q: If my broker holds my shares in "street name", will my broker vote my shares for me?

A: Your broker will vote your shares only if you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker.

If you hold P-Com common stock and do not instruct your broker how to vote your shares, it will be equivalent to voting against Proposals 1, 2 and 3, but will have no effect on the outcome of the other proposals.

If you hold SPEEDCOM common stock and do not instruct your broker how to vote your shares, it will be equivalent to voting against approval and adoption of the Asset Purchase Agreement.

Q: What happens if I do not vote?

A: If you are a SPEEDCOM stockholder and you do not submit a proxy or vote at your special meeting, your shares will not be counted for the purpose of determining the presence of a quorum and your inaction will have the same effect as a vote against approval and adoption of the Asset Purchase Agreement. If you submit a proxy and affirmatively elect to abstain from voting, your shares will be counted for the purpose of determining the presence of a quorum, but will not be voted at the special meeting. As a result, your abstention will have the same effect as a vote against approval and adoption of the Asset Purchase Agreement.

If you are a P-Com stockholder and you do not submit a proxy or vote at your annual meeting, your shares will not be counted for the purpose of determining the presence of a quorum and your inaction will have the same effect as a vote against Proposals 1, 2 and 3, but will have no effect on the outcome of the other proposals. If you submit a proxy and affirmatively elect to abstain from voting, your shares will be counted for the purpose of determining the presence of a quorum but will not be voted at the annual meeting. As a result, your abstention will have the same effect as a vote against Proposals 1, 2 and 3, but will have no effect on the outcome of the other proposals.

Q: Can I change my vote after I have mailed my signed proxy?

A: Yes. You can change your vote at any time before your proxy is voted at your company's annual or special meeting. You can do this in one of three ways:

- timely delivery of a valid, later-dated proxy by mail, or, with respect to P-Com, by telephone or Internet;

- revoking your proxy by written notice to the corporate secretary of P-Com or SPEEDCOM, as applicable; or

- voting in person by written ballot at the P-Com annual meeting or the SPEEDCOM special meeting.

If you have instructed a broker to vote your shares, you must follow the directions from your broker on how to change that vote.

Q: Are there any risks I should consider in deciding whether to vote for the proposals described in this joint proxy statement?

A: We have listed in the section entitled "Risk Factors," beginning on page 7, the risks that you should consider in deciding whether to vote for the proposals described in this joint proxy statement.

Q: Whom should I call with questions?

A: If you have any questions about the Acquisition or, if you are a P-Com stockholder, about any of the other proposals described in this joint proxy statement or if you need additional copies of this joint proxy statement or the enclosed proxy, you should contact:

P-Com stockholders:

P-Com, Inc.
3175 S. Winchester Boulevard
Campbell, CA 95008
(408) 866-3666
Attention: Daniel W. Rumsey

SPEEDCOM stockholders:

SPEEDCOM Wireless Corporation
7020 Professional Parkway East
Sarasota, Fl 34240
(941) 907-2361
Attention: Gil Sharell

You may also obtain additional information about P-Com and SPEEDCOM from documents filed with the SEC by following the instructions in the section entitled "Where You Can Find More Information" on the page immediately preceding the Table of Contents of this joint proxy statement.

SUMMARY

We are sending this joint proxy statement to P-Com and SPEEDCOM stockholders. This summary highlights selected information from this joint proxy statement and may not contain all the information that is important to you. To better understand the Acquisition and the other matters discussed in this joint proxy statement, you should read this entire document carefully, including the Asset Purchase Agreement, attached as Annex A, and the other documents to which we refer. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

The Companies (see pages 41 and 66)

P-Com, Inc.
3175 South Winchester Boulevard
Campbell, California 95008
(408) 866-3666

P-Com develops, manufactures and markets microwave radios for point-to-point, spread spectrum and point-to-multipoint applications for telecommunications networks worldwide. Cellular and personal communications service providers employ P-Com's point-to-point systems to transmit data between remote tower sites and switching centers. Network service providers and Internet service providers are able, through the deployment of P-Com's equipment and systems, to respond to the demands for high-speed wireless access services, such as Internet access associated with business-to-business and e-commerce business processes. Through deployment of P-Com's systems, network providers can quickly and efficiently establish integrated Internet, data, voice and video communications for their customers, then expand and grow those services as demand increases.

SPEEDCOM Wireless Corporation
7020 Professional Parkway East
Sarasota, Florida, 34240
(941) 907-2300

SPEEDCOM manufactures, configures and delivers a variety of broadband fixed-wireless products, including its SPEEDLAN family of wireless ethernet bridges and routers. Internet service providers, telecommunications carriers and other service providers and private organizations in the United States of America and more than 80 foreign countries worldwide use SPEEDCOM's products to provide broadband "last-mile" wireless connectivity in various point-to-point and point-to-multipoint configurations at speeds up to 155 megabits per second and distances up to 25 miles. SPEEDCOM's products provide high-performance broadband fixed wireless solutions specifically designed for building-to-building local area network connectivity and wireless Internet distribution.

Summary of the Acquisition (see page 27)

The Asset Purchase Agreement is the main legal document that governs the transaction and is attached to this joint proxy statement as Annex A. This agreement provides the terms and conditions that govern P-Com's acquisition of SPEEDCOM's assets. We encourage you to read the Asset Purchase Agreement carefully.

In the Asset Purchase Agreement, P-Com agreed to issue to SPEEDCOM 67,500,000 shares of P-Com common stock and to assume up to a maximum of $5.1 million worth of SPEEDCOM's outstanding liabilities in exchange for substantially all of the operating assets of SPEEDCOM.

P-Com will assume a minimum of $800,000 of SPEEDCOM's accounts payable and SPEEDCOM will retain a maximum of $200,000 in cash and accounts receivable. For every two dollars of SPEEDCOM's accounts payable that P-Com assumes in excess of $800,000, the amount of cash and accounts receivable retained by SPEEDCOM will be reduced by one dollar.

P-Com's Proposal to Increase the Number of Authorized Shares of Common Stock (see page 92)

P-Com intends to pay for the assets of SPEEDCOM, in part, by issuing 67,500,000 shares of P-Com common stock. Before P-Com can issue these shares, P-Com must first amend its certificate of incorporation to increase the number of shares of common stock that P-Com is authorized to issue. In order to permit P-Com to issue the 67,500,000 shares of its common stock in connection with the Acquisition, P-Com is asking its stockholders to approve the proposed amendment to P-Com's certificate of incorporation to increase the number of authorized shares of common stock from 69,000,000 to 700,000,000.

Recommendation of P-Com's Board of Directors (see page 94)

After careful consideration, P-Com's board of directors has determined that the Acquisition is in the best interests of P-Com and its stockholders and has declared the Acquisition advisable. In order to issue the 67,500,000 shares of P-Com common stock to SPEEDCOM, P-Com's certificate of incorporation must first be amended to increase the number of shares of common stock that P-Com is authorized to issue. P-Com's board of directors recommends that the P-Com stockholders vote FOR the proposal to amend P-Com's certificate of incorporation.

Recommendation of SPEEDCOM's Board of Directors (see page 92)

After careful consideration, SPEEDCOM's board of directors has determined that the Acquisition is in the best interests of SPEEDCOM and its stockholders and has declared the Acquisition advisable. SPEEDCOM's board of directors recommends that SPEEDCOM stockholders vote FOR the proposal to approve and adopt the Asset Purchase Agreement and the Acquisition.

Annual Meeting of P-Com Stockholders (see page 20)

The annual meeting of P-Com stockholders will be held at the corporate offices of P-Com at 3175 S. Winchester Boulevard, Campbell, California 95008 on November __, beginning at 10:00 a.m., local time. If you owned shares of P-Com common stock or Series C Preferred Stock on October 15, 2003, the record date for the P-Com annual meeting, you are entitled to receive this document and to vote at the meeting. On that date, there were 43,517,644 shares of P-Com common stock and 8,369 shares of P-Com Series C Preferred Stock outstanding. Holders of P-Com common stock can cast one vote for each share of P-Com common stock held on the record date. Holders of P-Com Series C Preferred Stock can cast one vote for each share of P-Com common stock issuable upon conversion of the Series C Preferred Stock held on the record date.

The affirmative vote of (i) the holders of a majority of the shares of P-Com common stock outstanding on the record date, voting as a separate class, and (ii) the holders of a majority of the shares of P-Com common stock and Series C Preferred Stock outstanding on the record date, voting together as a single class, is required to approve the proposal to amend P-Com's certificate of incorporation.

Special Meeting of SPEEDCOM Stockholders (see page 24)

The special meeting of SPEEDCOM stockholders will be held at 3175 S. Winchester Boulevard, Campbell, California 95008, on November __, 2003, beginning at 9:00 a.m., local time. If you owned shares of SPEEDCOM common stock on October __, 2003, the record date for the SPEEDCOM special meeting, you are entitled to receive this document and to vote at the meeting. On that date, 20,323,997 shares of SPEEDCOM common stock were outstanding. Holders of SPEEDCOM common stock can cast one vote for each share of SPEEDCOM common stock held on the record date.

The affirmative vote of a majority of the shares of SPEEDCOM common stock outstanding on the record date is required to approve and adopt the Asset Purchase Agreement and the Acquisition, and to approve the proposal to amend SPEEDCOM's certificate of incorporation.

Conditions to Completion of the Acquisition (see page 37)

The obligations of P-Com and SPEEDCOM to complete the Acquisition are subject to the satisfaction or waiver of several closing conditions, including, in addition to other customary closing conditions, the following:

- SPEEDCOM stockholders must have approved and adopted the Asset Purchase Agreement and the related Acquisition and P-Com stockholders must have approved the amendment to P-Com's certificate of incorporation to increase the number of authorized shares of common stock.

- P-Com must have consummated an equity financing transaction generating at least $5,000,000 in gross proceeds.

- All of P-Com's outstanding 7% Convertible Subordinated Notes due 2005 must have been converted into equity securities of P-Com common stock.

- All of the convertible promissory notes issued by P-Com on March 26, 2003 in the aggregate face amount of $1,500,000 and any other convertible promissory notes issued thereafter must have been converted into shares of P-Com common stock.

Termination of the Asset Purchase Agreement (see page 39)

The Asset Purchase Agreement may be terminated before the Acquisition is completed:

- by mutual written consent;

- by either party, if the Acquisition has not been completed by December 31, 2003 through no fault of the terminating party;

- by either party, if the stockholders of P-Com have not approved the amendment to P-Com's certificate of incorporation to increase the number of authorized shares of common stock, or if the stockholders of SPEEDCOM have not approved and adopted the Asset Purchase Agreement and the Acquisition, at their respective stockholders' meetings;

- by either party, if the board of directors of the other party accepts or approves an alternate proposal or withdraws its recommendation of the Acquisition; and

- by either party, if there has been a material breach by the other party of any representation, warranty, covenant or agreement in the Acquisition, and

  - the breach has not been cured within thirty days after written notice (except that no cure period shall be required for a breach, which by its nature cannot be cured); and

  - the breach would result in the failure to satisfy one or more conditions to the Acquisition.

Termination Fees (see page 40)

P-Com or SPEEDCOM may be required to pay a termination fee to the other party as follows:

- If P-Com terminates the Asset Purchase Agreement because

  - of a material breach of the Asset Purchase Agreement by SPEEDCOM;

  - SPEEDCOM's board of directors approves an alternate proposal and withdraws its recommendation of the Acquisition;

  - an alternate acquisition proposal remains in effect 60 days prior to December 31, 2003 and SPEEDCOM's stockholders have not approved and adopted the Asset Purchase Agreement and the Acquisition,

  then SPEEDCOM must pay a termination fee of $500,000 to P-Com.

- If SPEEDCOM terminates the Asset Purchase Agreement because

  - of a material breach of the Asset Purchase Agreement by P-Com;

  - P-Com's board of directors approves an alternate proposal and withdraws its recommendation of the Acquisition;

  - an alternate acquisition proposal remains in effect 60 days prior to December 31, 2003 and P-Com's stockholders have not approved the amendment to P-Com's certificate of incorporation to increase the number of authorized shares of common stock,

  then P-Com must pay a termination fee of $500,000 to SPEEDCOM.

No Solicitation Provisions (see page 38)

The Asset Purchase Agreement contains provisions prohibiting P-Com and SPEEDCOM from initiating or engaging in any discussion regarding a competing acquisition transaction. P-Com and SPEEDCOM have agreed that they and their respective subsidiaries will not, and will cause their respective directors, officers, employees, representatives, investment bankers, agents and affiliates not to, take any action to solicit a competing acquisition proposal. There are limited exceptions to these prohibitions that enable the boards of directors of P-Com and SPEEDCOM to fulfill their fiduciary duties to the P-Com stockholders and SPEEDCOM stockholders, respectively.

Appraisal or Dissenters' Rights (see page 29)

Under Delaware law, P-Com and SPEEDCOM stockholders are not entitled to appraisal rights in connection with the Acquisition.

Tax Consequences (see page 29)

SPEEDCOM will recognize gain from the Acquisition in an amount equal to the difference between the fair market value of the consideration received from the sale of its assets and liabilities and SPEEDCOM's adjusted tax basis in those same assets and liabilities. However, SPEEDCOM currently has sufficient net operating losses to offset the taxable gain based on the current terms of the Acquisition.

Risk Factors (see page 7)

By voting for or against the Acquisition, SPEEDCOM stockholders are effectively deciding whether or not to invest indirectly in P-Com common stock, which will become the sole principal asset of SPEEDCOM following the completion of the Acquisition. By voting for or against the proposal to amend P-Com's certificate of incorporation to increase the number of authorized shares of P-Com common stock, P-Com stockholders are effectively deciding whether or not to approve the Acquisition. SPEEDCOM and P-Com stockholders should carefully consider the factors discussed in the section entitled "Risk Factors" before deciding how to vote on these proposals.

Completion and Effectiveness of the Acquisition (see page 27)

The Acquisition will be completed when all of the conditions to completion of the Acquisition are satisfied or waived in accordance with the Asset Purchase Agreement. P-Com and SPEEDCOM hope to complete the Acquisition in the fourth quarter of 2003.

COMPARATIVE PER SHARE DATA

The following table provides historical and pro forma per share data of P-Com and SPEEDCOM. Pro forma book value per share and earnings per share have been calculated assuming that 67,500,000 shares of P-Com common stock were issued in the Acquisition to SPEEDCOM on the respective dates presented. This information should be read in conjunction with P-Com's and SPEEDCOM's Selected Historical Financial Data, beginning on pages 82 and 84 of this joint proxy statement, the Unaudited Pro Forma Financial Information, beginning on page 85, of this joint proxy statement, P-Com's and SPEEDCOM's Management's Discussion and Analysis of Financial Condition and Results of Operations, beginning on pages 53 and 72 of this joint proxy statement, the financial statements and related notes of P-Com, beginning on page F-1 of this joint proxy statement, and the financial statements and related notes of SPEEDCOM incorporated herein by reference.

Book value per share:	P-Com Historical	Pro Forma Combined	SPEEDCOM Historical
December 31, 2002	$(0.45)	$(0.07)	$(0.43)
June 30, 2003	$(0.75)	$(0.21)	$(0.61)
Loss per share:			
Basic and diluted loss from continuing operations per common share:			
Year ended December 31, 2002	$(1.74)	$(0.53)	$(0.47)
Six months ended June 30, 2003	$(0.33)	$(0.14)	$(0.18)
Dividends per share:			
Year ended December 31, 2002	--	--	--
Six months ended June 30, 2003	--	--	--

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(1) Historical loss from continuing operations per common share for P-Com represent basic and diluted loss per share before discontinued operations.

(2) Historical book value per share for P-Com and SPEEDCOM is computed by dividing stockholders' deficit, less preferred equity, by the number of shares outstanding at the end of each period presented, and excludes common stock equivalents, if any (e.g., warrants, options and other convertible securities).

MARKET PRICE AND DIVIDEND DATA

P-Com common stock is quoted on the OTC Bulletin Board under the symbol "PCOM." SPEEDCOM common stock is quoted on OTC Bulletin Board under the symbol "SPWC."

The table below shows, for the calendar year quarters indicated, the reported high and low sale prices of P-Com common stock, as reported on the NASDAQ National Market until August 28, 2002, on the NASDAQ Small Cap Market until March 10, 2003 and on the OTC Bulletin Board thereafter and SPEEDCOM common stock, as reported on the OTC Bulletin Board until February 5, 2001, the NASDAQ Small Cap Market until August 22, 2002 and on the OTC Bulletin Board thereafter, in each case based on published financial sources. The P-Com common stock prices have been adjusted to reflect the 1 for 5 reverse stock split implemented on June 27, 2002. Information before September 26, 2000, the date of the merger between SPEEDCOM and LTI Holdings, Inc., ("LTI") is for LTI's common stock. The quotations represent stock prices between dealers and do not include retail mark-up, mark-down or commission and may not represent actual transactions.

	P-Com Common Stock		SPEEDCOM Common Stock	
	High	Low	High	Low

2000				
First Quarter	$ 4.74	$ 1.80	$3.59	$2.13
Second Quarter	$ 3.00	$ 1.11	$11.72	$3.20
Third Quarter	$ 1.69	$ 1.04	$22.90	$9.32
Fourth Quarter	$ 1.23	$ 0.31	$10.25	$3.81
2001				
First Quarter	$ 1.10	$ 0.25	$9.13	$3.44
Second Quarter	$ 0.30	$ 0.11	$5.25	$2.00
Third Quarter	$ 0.14	$ 0.05	$2.70	$0.92
Fourth Quarter	$ 0.08	$ 0.03	$1.35	$0.43
2002				
First Quarter	$ 0.37	$ 0.13	$0.94	$0.42
Second Quarter	$ 0.36	$ 0.09	$0.69	$0.11
Third Quarter	$ 0.82	$ 0.19	$0.19	$0.02
Fourth Quarter	$ 0.38	$ 0.15	$0.07	$0.04
2003				
First Quarter	$ 0.31	$ 0.09	$0.06	$0.02
Second Quarter	$ 0.13	$ 0.06	$0.09	$0.04

The following table presents trading information for P-Com common stock and SPEEDCOM common stock on June 16, 2003, the last full trading day before the announcement of the signing of the Asset Purchase Agreement, and October __, 2003, the last practicable trading day for which information was available before the date of this joint proxy statement. P-Com and SPEEDCOM cannot assure you what the market prices of P-Com or SPEEDCOM common stock will be on the date of completion of the Acquisition. You should obtain current market quotations.

	P-Com Common Stock	SPEEDCOM Common Stock
Closing price on June 16, 2003	$ 0.12	$ 0.06
Closing price on October __, 2003	$ ___	$ ___

Neither P-Com nor SPEEDCOM has ever declared or paid cash dividends on its capital stocks. The combined company does not anticipate paying cash dividends on its common stock in the foreseeable future.

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RISK FACTORS

An investment in P-Com and SPEEDCOM common stock is subject to many risks. You should carefully consider the risks described below, together with all of the other information included in this joint proxy statement, including the financial statements and the related notes, before you decide whether to approve the Acquisition. P-Com's and SPEEDCOM's business, operating results and financial condition could be harmed by any of the following risks. The trading price of P-Com and SPEEDCOM common stock could decline due to any of these risks, and you could lose all or part of your investment.

Risks Associated With the Acquisition

P-Com and SPEEDCOM may not realize the intended benefits of the Acquisition if P-Com is unable to integrate both companies' operations, products and personnel in a timely and efficient manner.

Achieving the benefits of the Acquisition will depend in part on the integration of P-Com's and SPEEDCOM's operations, products and personnel in a timely and efficient manner. In order for P-Com to provide enhanced and more valuable products to its customers after the Acquisition, P-Com will need to integrate both companies' development operations and product lines. This integration may be difficult and unpredictable because P-Com's and SPEEDCOM's products are highly complex, have been developed independently and were designed without regard to integration. Successful integration of P-Com's and SPEEDCOM's product development operations and product lines also requires coordination of different development and engineering teams, as well as sales and marketing efforts and personnel. This, too, may be difficult and unpredictable because of possible cultural conflicts between the companies and different opinions on product and technology decisions. If P-Com cannot successfully integrate SPEEDCOM's operations, products and personnel with its own, P-Com may not realize the expected benefits of the Acquisition, which could adversely affect P-Com's business.

Integrating P-Com's and SPEEDCOM's operations may divert management's attention away from its day-to-day operations.

Integration of P-Com's and SPEEDCOM's operations, products and personnel may place a significant burden on P-Com's management and its internal resources. The diversion of P-Com's management's attention and any difficulties encountered in the transition and integration process could harm P-Com's business.

The Acquisition will result in significant costs to P-Com and SPEEDCOM, whether or not the Acquisition is completed.

The Acquisition will result in significant costs to P-Com and SPEEDCOM. Transaction costs are estimated to be approximately $250,000. These costs are expected to consist primarily of fees for attorneys, accountants, filing fees and financial printers. All of these costs will be incurred whether or not the Acquisition is completed. In addition, if the Asset Purchase Agreement is terminated under specified circumstances, the terminating party may be obligated to pay a $500,000 termination fee.

Failure to complete the Acquisition could cause P-Com's or SPEEDCOM's stock price to decline.

If the Acquisition is not completed for any reason, P-Com's or SPEEDCOM's stock price may decline because costs related to the Acquisition, such as legal and accounting, must be paid even if the Acquisition is not completed. In addition, if the Acquisition is not completed, P-Com's or SPEEDCOM's stock price may decline to the extent that the current market price reflects a market assumption that the Acquisition will be completed.

A Director of SPEEDCOM may have potential conflicts of interest in recommending that you vote in favor of approval of the Acquisition.

One of the directors of SPEEDCOM who recommends that you vote in favor of the Asset Purchase Agreement and the related Acquisition is expected to join the board of directors of P-Com immediately upon consummation of the

Acquisition. As a result, he may have interests in the Acquisition that differ from yours. The receipt of any compensation as a result of his election to the board of directors of P-Com may influence this director in making his recommendation that you vote in favor of the Asset Purchase Agreement and the Acquisition.

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If the conditions to the Acquisition are not met, the Acquisition will not occur.

Specified conditions must be satisfied or waived to complete the Acquisition. These conditions are summarized in the section captioned "Conditions to Completion of the Acquisition" and are described in detail in the Asset Purchase Agreement. P-Com and SPEEDCOM cannot assure you that each of the conditions will be satisfied. If the conditions are not satisfied or waived, the Acquisition will not occur or will be delayed and P-Com and SPEEDCOM each may lose some or all of the intended benefits of the Acquisition.

If P-Com's stockholders do not approve an increase in the number of authorized shares of P-Com common stock, P-Com will be unable to consummate the Acquisition.

In connection with the Acquisition, P-Com is asking its stockholders to approve an amendment to its certificate of incorporation to increase the number of shares of common stock that P-Com is authorized to issue. P-Com is currently authorized to issue up to 69,000,000 shares of common stock, and as of August 21, 2003, P-Com had 43,517,644 shares of its common stock outstanding and 19,899,251 shares reserved for issuance upon conversion or exercise of outstanding options, warrants and other convertible securities. Pursuant to the Acquisition, P-Com expects to issue 67,500,000 shares of P-Com common stock to SPEEDCOM. In addition, conditioned upon receipt of stockholder approval, P-Com is expected to issue approximately 106 million shares of common stock upon conversion of P-Com's Series B Preferred Stock, and approximately 146 million shares of common stock upon conversion of P-Com's Series C Preferred Stock. If P-Com's stockholders do not approve the proposal to increase the number of authorized shares of P-Com common stock from 69,000,000 to 700,000,000, then P-Com will be unable to provide the consideration for the Acquisition, nor will it be able to issue the common stock upon conversion of the Series B or Series C Preferred Stock.

P-Com and SPEEDCOM may waive one or more of the conditions to the Acquisition without resoliciting stockholder approval for the Acquisition.

Each of the conditions to P-Com's and SPEEDCOM's obligations to complete the Acquisition may be waived, in whole or in part, to the extent permitted by applicable laws, by agreement of P-Com and SPEEDCOM. The boards of directors of P-Com and SPEEDCOM will evaluate the materiality of any such waiver to determine whether amendment of this joint proxy statement and resolicitation of proxies is warranted. However, P-Com and SPEEDCOM generally do not expect any such waiver to be sufficiently material to warrant resolicitation of their stockholders. In the event that the board of directors of P-Com or SPEEDCOM determines any such waiver is not sufficiently material to warrant resolicitation of stockholders, the applicable company will have the discretion to complete the Acquisition without seeking further stockholder approval.

Sales of P-Com's and SPEEDCOM's products could decline or be inhibited if customer relationships are disrupted by the Acquisition.

The Acquisition may have the effect of disrupting customer relationships. P-Com's and SPEEDCOM's customers or potential customers may delay or alter buying patterns during the pendency of and following the Acquisition. Customers may defer purchasing decisions as they evaluate the likelihood of successful integration of P-Com's and SPEEDCOM's products and P-Com's future product strategy following the Acquisition. P-Com's or SPEEDCOM's customers or potential customers may instead purchase products of competitors. In addition, by increasing the breadth of P-Com's business, the Acquisition may make it more difficult for P-Com to enter into relationships with customers and strategic partners, some of whom may view P-Com, following the Acquisition, as a more direct competitor than P-Com prior to the Acquisition. Any significant delay or reduction in orders for P-Com's or SPEEDCOM's products could cause P-Com's sales, following the Acquisition, to decline.

Risks Relating to the Operations of P-Com Following the Acquisition

Continuing weakness in the telecommunications equipment and services sector has adversely affected the operating results, future growth and stability of P-Com's business.

There is an ongoing severe worldwide slowdown in the telecommunications equipment and services sector that P-Com expects will continue to adversely affect P-Com following the completion of the Acquisition. Customers, particularly systems operators and integrated system providers, are deferring capital spending and orders to suppliers, such as P-Com, and in general are not building out any significant additional infrastructure at this time. In the United States, most competitive local exchange carriers have declared bankruptcy and, internationally, 3G network rollout and commercialization continue to experience delays. In addition, P-Com's accounts receivable, inventory turnover, and operating stability can be jeopardized if its customers experience financial distress. P-Com does not believe that its products sales levels can recover while an industry-wide slowdown in demand persists.

Global economic conditions have had a depressing effect on sales levels in past years, including a significant slowdown for P-Com in 1998 and 2001, and continuing through 2003. The soft economy and slowdown in capital spending encountered in the United States, the United Kingdom, continental Europe, parts of Asia, and other geographic markets have had a significant depressing effect on the sales levels of telecommunications products, such as P-Com's. These factors may continue to adversely affect P-Com's business, financial condition and results of operations. P-Com cannot sustain itself at the currently depressed sales levels, unless it is able to obtain additional debt or equity financing.

P-Com's business and financial positions have deteriorated significantly.

P-Com's business and financial positions have deteriorated significantly. P-Com's core business product sales were reduced sharply beginning with the second half of 2001. From inception to June 30, 2003, P-Com's aggregate net loss is approximately $365.2 million. P-Com's cash, working capital, accounts receivable, inventory, total assets, employee headcount, backlog and total stockholders' equity are all substantially below levels of one year ago. P-Com has negative working capital of $33.3 million as of June 30, 2003. P-Com's short-term liquidity deficiency could disrupt its supply chain, and result in its inability to manufacture and deliver its products, which would adversely affect its results of operations.

P-Com's independent accountants' opinion on its 2002 consolidated financial statements includes an explanatory paragraph indicating substantial doubt about P-Com's ability to continue as a going concern. To continue long term as a going concern, P-Com will have to increase its sales, and possibly induce other creditors to forebear or to convert to equity, raise additional equity financing, and/or raise new debt financing. P-Com may not accomplish these tasks.

P-Com may enter into subsequent agreements to merge or consolidate with other companies, and it may incur significant costs in the process, whether or not the transactions are completed.

P-Com signed an Agreement and Plan of Merger with Telaxis Communications Corporation, dated September 9, 2002. The merger agreement was terminated by mutual agreement on January 7, 2003. On January 27, 2003, P-Com signed a letter of intent to acquire privately held Procera Networks Inc., of Sunnyvale, California, in a stock-for-stock transaction. The acquisition effort was terminated in April 2003. P-Com may enter into other acquisition agreements, in addition to the Asset Purchase Agreement with SPEEDCOM, in furtherance of P-Com's strategy to consolidate with other companies in the fixed wireless market. P-Com may not be able to close any acquisitions on the timetable it anticipates, if at all. P-Com has and may further incur significant non-recoverable expenses in these efforts.

P-Com does not have the customer base or other resources of more established companies, which makes it difficult for it to address the liquidity and other challenges it faces.

Although P-Com has installed and has in operation over 150,000 radio units globally, it has not developed a large installed base of its equipment or the kind of close relationships with a broad base of customers of a type enjoyed by larger, more developed companies, which would provide a base of financial performance from which to launch strategic initiatives and withstand business reversals. In addition, P-Com has not built up the level of capital often enjoyed by more established companies, so from time to time it faces serious challenges in financing its continued operations. P-Com may not be able to successfully address these risks.

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P-Com relies on a limited number of customers for a material portion of its sales and the loss of or reduction in sales to any of those customers could harm its business, financial condition and results of operation.

For the six-month period ended June 30, 2003, sales to four customers accounted for 53% of sales. P-Com's ability to maintain or increase its sales in the future will depend, in part upon its ability to obtain orders from new customers as well as the financial condition and success of its customers, the telecommunications industry and the global economy. P-Com's customer concentration also results in concentration of credit risk. As of June 30, 2003, four customers accounted for 63% of P-Com's total accounts receivable balances. Many of P-Com's significant recurring customers are located outside the United States, primarily in the Asia-Pacific Rim areas, United Kingdom and continental Europe. Some of these customers are implementing new networks and are themselves in the various stages of development. They may require additional capital to fully implement their planned networks, which may be unavailable to them on an as-needed basis, and which P-Com cannot supply in terms of long-term financing.

If P-Com's customers cannot finance their purchases of its products or services, this may adversely affect P-Com's business, operations and financial condition. Financial difficulties of existing or potential customers may also limit the overall demand for P-Com's products and services. Current customers in the telecommunications industry have, from time to time, undergone financial difficulties and may therefore limit their future orders or find it difficult to pay for products sold to them. Any cancellation, reduction or delay in orders or shipments, for example, as a result of manufacturing or supply difficulties or a customer's inability to finance its purchases of P-Com's products or services, would adversely affect P-Com's business. Difficulties of this nature have occurred in the past and P-Com believes they can occur in the future. For instance, in July 2002, P-Com announced a multiple year $100 million supply agreement with an original equipment manufacturer in China. Even with an agreement in place, the customer has changed the timing and the product mix requested, and has cancelled or delayed many of its orders. Enforcement of the specific terms of the agreement could be difficult and expensive within China, and P-Com may not ultimately realize the total benefits currently expected in the contract period.

Finally, acquisitions in the telecommunications industry are common, which tends to further concentrate the potential customer base in larger companies.

P-Com faces substantial competition and may not be able to compete effectively.

P-Com is experiencing intense competition worldwide from a number of leading telecommunications equipment and technology suppliers. These companies offer a variety of competitive products and services and some offer broader telecommunications product lines. These companies include Alcatel Network Systems, Alvarion, Stratex Networks, Ceragon, Ericsson Limited, Harris Corporation-Farinon Division, NEC, NERA, Nokia Telecommunications, SIAE, Siemens, and Proxim. Many of these companies have greater installed bases, financial resources and production, marketing, manufacturing, engineering and other capabilities than P-Com does. P-Com faces actual and potential competition not only from these established companies, but also from start-up companies that are developing and marketing new commercial products and services. Some of P-Com's current and prospective customers and partners have developed, are currently developing or could manufacture products competitive with P-Com's products. Nokia and Ericsson have developed competitive radio systems, and there is new technology featuring free space optical systems now in the marketplace.

The principal elements of competition in P-Com's market and the basis upon which customers may select its systems include price, performance, software functionality, perceived ability to continue to be able to meet delivery requirements, and customer service and support. Recently, certain competitors have announced the introduction of new competitive products, including related software tools and services, and the acquisition of other competitors and competitive technologies. P-Com expects competitors to continue to improve the performance and lower the price of their current products and services and to introduce new products and services or new technologies that provide added functionality and other features. New product and service offerings and enhancements by P-Com's competitors could cause a decline in sales or loss of market acceptance of its systems. New offerings could also make P-Com's systems, services or technologies obsolete or non-competitive. In addition, P-Com is experiencing significant price competition and expects that competition to intensify.

P-Com's operating results have been adversely affected by deteriorating gross margins.

The intense competition for many of P-Com's products has resulted in a continued reduction in its average selling prices. These reductions have not been offset by a corresponding decrease in cost of goods sold, resulting in deteriorating gross margins in some of its product lines. These deteriorating gross margins may continue in the short term. Reasons for the decline include the maturation of the systems, the effect of volume price discounts in existing and future contracts and the intensification of competition.

If P-Com cannot develop new products in a timely manner or fail to achieve increased sales of new products at a higher average selling price, then it may be unable to offset declining average selling prices in many of its product lines. If P-Com is unable to offset declining average selling prices, or achieve corresponding decreases in manufacturing operating expenses, its gross margins will continue to decline.

P-Com's operating results could be adversely affected by continued decline in capital spending in the telecommunications market.

Although much of the anticipated growth in the telecommunications infrastructure is expected to result from the entrance of new service providers, many new providers do not have the financial resources of existing service providers. For example in the United States, most competitive local exchange carriers are experiencing financial distress. If these new service providers are unable to adequately finance their operations, they may cancel or delay orders. Moreover, purchase orders are often received and accepted far in advance of shipment and, as a result, P-Com typically permits orders to be modified or canceled with limited or no penalties. In periods of weak capital spending on the part of traditional customers, P-Com is at risk for curtailment or cancellation of purchase orders, which can lead to adverse operating results. Ordering materials and building inventory based on customer forecasts or non-binding orders can also result in large inventory write-offs, such as what occurred in 2000 and 2001, and continued to incur in 2003.

Global economic conditions have had a depressing effect on sales levels in the past two and one-half years. The soft economy and reported slowdown in capital spending in 2001 and 2002 in the United States and European telecommunications markets have had a significant depressing effect on the sales levels in both years. In fiscal 2002, P-Com's sales in the United States and Europe markets totaled $12.2 million, compared to $79.4 million in 2001. This trend has continued in 2003.

Failure to maintain adequate levels of inventory could result in a reduction or delay in sales and harm P-Com's results of operations.

P-Com's customers have increasingly been demanding short turnaround on orders rather than submitting purchase orders far in advance of expected shipment dates. This practice requires that P-Com keep inventory on hand to meet market demands. Given the variability of customer needs and purchasing power, it is difficult to predict the amount of inventory needed to satisfy customer demand. If P-Com over-estimates or under-estimates inventory requirements to fulfill customer needs, or if purchase orders are terminated by customers, P-Com's results of operations could continue to be adversely affected. In particular, increases in inventory or cancellation of purchase orders could adversely affect operations if the inventory is ultimately not used or becomes obsolete. This risk was realized in the large inventory write-downs from 1999 to 2002, and a $5.5 million write-down in the first two quarters of 2003.

P-Com's limited manufacturing capacity and sources of supply may affect its ability to meet customer demand, which would harm its sales and damage its reputation.

P-Com's internal manufacturing capacity, by design, is very limited. Under certain market conditions, as for example when there is high capital spending and rapid system deployment, P-Com's internal manufacturing capacity will not be sufficient to fulfill customers' orders. P-Com would therefore rely on contract manufacturers to produce its systems, components and subassemblies. P-Com's failure to manufacture, assemble and ship systems and meet customer demands on a timely and cost-effective basis could damage relationships with customers and have a material adverse effect on its business, financial condition and results of operations.

In addition, certain components, subassemblies and services necessary for the manufacture of P-Com's systems are obtained from a sole supplier or a limited group of suppliers. Many of these suppliers are in difficult financial positions as a result of the significant slowdown that P-Com, too, has experienced. P-Com's reliance on contract manufacturers and on sole suppliers or a limited group of suppliers involves risks. P-Com has from time to time experienced an inability to obtain, or to receive in a timely manner, an adequate supply of finished products and required components and subassemblies. This inability is due to the above factors and, in some cases, P-Com's financial condition. As a result, P-Com has less control over the price, timely delivery, reliability and quality of finished products, components and subassemblies.

A significant ramp-up of production of products and services could require P-Com to make substantial capital investments in equipment and inventory, in recruitment and training of additional personnel and possibly in investment in additional manufacturing facilities. If undertaken, P-Com anticipates these expenditures would be made in advance of increased sales. In this event, operating results would be adversely affected from time-to-time due to short-term inefficiencies associated with the addition of equipment and inventory, personnel or facilities and these cost categories may periodically increase as a percentage of revenues.

Failure to maintain a valid certificate for ISO 9001:1994 and upgrade the certificate to ISO 9001:2000 may adversely affect our sales.

Many of P-Com's customers require their vendors to maintain a valid ISO Quality certificate before placing purchase orders. P-Com has had a certificate since December 7, 1993. On December 15, 2003, ISO requires all holders of ISO 9001:1994 to upgrade to ISO 9001:2000. If P-Com is unsuccessful in its efforts to upgrade to ISO 9001:2000, its ability to secure purchase orders for its products may be adversely affected.

P-Com's business depends on the acceptance of its products and services, and it is uncertain whether the market will accept and demand its products and services at levels necessary for success.

P-Com's future operating results depend upon the continued growth and increased availability and acceptance of micro cellular, personal communications networks/personal communications services and wireless local loop access telecommunications services in the United States and internationally. The volume and variety of wireless telecommunications services or the markets for and acceptance of the services may not continue to grow as expected. The growth of these services may also fail to create anticipated demand for P-Com's systems. Predicting which segments of these markets will develop and at what rate these markets will grow is difficult.

Some sectors of the telecommunications market will require the development and deployment of an extensive and expensive telecommunications infrastructure. In particular, the establishment of personal communications networks/personal communications services networks requires significant capital expenditures. Communications providers may determine not to make the necessary investment in this infrastructure, or the creation of this infrastructure may not occur in a timely manner, as has been the case in 2001 through the second quarter of 2003. Moreover, one potential application of P-Com's technology, the use of its systems in conjunction with the provision of alternative wireless access in competition with the existing wireline local exchange providers, depends on the pricing of wireless telecommunications services at rates competitive with those charged by wireline operators. Rates for wireless access must become competitive with rates charged by wireline companies for this approach to be successful. Absent that, consumer demand for wireless access will be negatively affected. If P-Com allocates resources to any market segment that does not grow, it may be unable to reallocate capital and other resources to other market segments in a timely manner, ultimately curtailing or eliminating its ability to enter the other segments.

Certain current and prospective customers are delivering services and features that use competing transmission media, such as fiber optic and copper cable, particularly in the local loop access market. To successfully compete with existing products and technologies, P-Com must offer systems with superior price and performance characteristics and extensive customer service and support. Additionally, P-Com must supply these systems on a timely and cost-effective basis, in sufficient volume to satisfy these prospective customers' requirements, in order to induce them to transition to P-Com's technologies. Any delay in the adoption of P-Com's systems and technologies may result in prospective customers using alternative technologies in their next generation of systems and networks. P-Com's financial condition may prevent P-Com from meeting this customer demand or may dissuade potential customers from purchasing from P-Com

Prospective customers may design their systems or networks in a manner that excludes or omits P-Com's products and technology. Existing customers may not continue to include P-Com's systems in their products, systems or networks in the future. P-Com's technology may not replace existing technologies and achieve widespread acceptance in the wireless telecommunications market. Failure to achieve or sustain commercial acceptance of P-Com's currently available radio systems or to develop other commercially acceptable radio systems would materially adversely affect P-Com.

Due to P-Com's international sales and operations, P-Com is exposed to economic and political risks and significant fluctuations in the value of foreign currencies relative to the United States dollar.

As a result of P-Com's current heavy dependence on international markets, especially in the United Kingdom, the European continent, the Middle East, and China, P-Com faces economic, political and foreign currency fluctuations that are often more volatile than those commonly experienced in the United States. Approximately 90% of P-Com's sales in the six-month period ended June 30,2003 were made to customers located outside of the United States. Historically, P-Com's international sales have been denominated in British pounds sterling, Euros or United States dollars. A decrease in the value of British pounds or Euros relative to United States dollars, if not hedged, will result in exchange loss for P-Com if it has Euro or British pounds sterling denominated sales. Conversely, an increase in the value of Euro and British pounds sterling will result in increased margins for P-Com on Euro or British pounds sterling denominated sales as its functional currency is in United States dollars. For international sales that P-Com would require to be United States dollar-denominated, such a decrease in the value of foreign currencies could make its systems less price-competitive if competitors choose to price in other currencies and could adversely affect its financial condition.

P-Com funds its Italian subsidiary's operating expenses, which are denominated in Euros. An increase in the value of Euro currency, if not hedged relative to the United States dollar, could result in more costly funding for P-Com's Italian operations, and as a result, higher cost of production to it as a whole. Conversely, a decrease in the value of Euro currency will result in cost savings for P-Com.

Additional risks are inherent in P-Com's international business activities. These risks include:

- changes in regulatory requirements;
- costs and risks of localizing systems (homologation) in foreign countries;
- availability of suitable export financing, particularly in the case of large projects which P-Com must ship in short periods; P-Com's bank line of credit allows this financing up to $4.0 million, subject to numerous conditions;
- timing and availability of export licenses, tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations, branches and subsidiaries;
- difficulties in managing distributors;
- terrorist activities;
- recurrence of worldwide health epidemic similar to SARS, which significantly affected P-Com's ability to travel and do business in Asia and the Pacific Rim areas;
- potentially adverse tax consequences; and
- difficulty in accounts receivable collections, if applicable.

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Due to political and economic instability in new markets, economic, political and foreign currency fluctuations may be even more volatile than conditions in developed countries. Countries in the Asia/Pacific, African, and Latin American regions have in recent years experienced weaknesses in their currency, banking and equity markets. These weaknesses have adversely affected and could continue to adversely affect demand for P-Com's products.

P-Com's international operations subject P-Com to the laws, regulations and local customs of the countries in which it conducts business, which may be significantly different from those of the United States.

In many cases, local regulatory authorities own or strictly regulate international telephone companies. Established relationships between government-owned or government-controlled telephone companies and their traditional indigenous suppliers of telecommunications often limit access to these markets. The successful expansion of P-Com's international operations in some markets will depend on its ability to locate, form and maintain strong relationships with established companies providing communication services and equipment in designated regions. The failure to establish these regional or local relationships or to successfully market or sell P-Com's products in specific international markets could limit its ability to compete in today's highly competitive local markets for broadband wireless equipment.

In addition, many of P-Com's customer purchases and other agreements are governed by a wide variety of complex foreign laws, which may differ significantly from United States laws. Therefore, P-Com may be limited in its ability to enforce its rights under those agreements and to collect damages, if awarded in any litigation.

Governmental regulations affecting markets in which P-Com competes could adversely affect its business and results of operations.

Radio communications are extensively regulated by the United States and foreign governments as well as by international treaties. P-Com's systems must conform to a variety of domestic and international requirements established to, among other things, avoid interference among users of radio frequencies and to permit interconnection of equipment. Historically, in many developed countries, the limited availability of radio frequency spectrum has inhibited the growth of wireless telecommunications networks. Each country's regulatory process differs. To operate in a jurisdiction, P-Com must obtain regulatory approval for its systems and comply with differing regulations.

Regulatory bodies worldwide continue to adopt new standards for wireless telecommunications products. The delays inherent in this governmental approval process may cause the cancellation, postponement or rescheduling of the installment of communications systems by P-Com's customers and P-Com. The failure to comply with current or future regulations or changes in the interpretation of existing regulations could result in the suspension or cessation of operations. Those regulations or changes in interpretation could require P-Com to modify its products and services and incur substantial costs in order to comply with the regulations and changes.

In addition, P-Com is also affected by domestic and international authorities' regulation of the allocation and auction of the radio frequency spectrum. Equipment to support new systems and services can be marketed only if permitted by governmental regulations and if suitable frequency allocations are auctioned to service providers. Establishing new regulations and obtaining frequency allocation at auction is a complex and lengthy process. If PCS operators and others are delayed in deploying new systems and services, P-Com could experience delays in orders. Similarly, failure by regulatory authorities to allocate suitable frequency spectrum could have a material adverse effect on P-Com's results. In addition, delays in radio frequency spectrum auction process in the United States could delay P-Com's ability to develop and market equipment to support new services.

P-Com operates in a regulatory environment subject to significant change. Regulatory changes, which are affected by political, economic and technical factors, could significantly impact P-Com's operations by restricting its development efforts and those of its customers, making current systems obsolete or increasing competition. Any such regulatory changes, including changes in the allocation of available spectrum, could have a material adverse effect on P-Com's business, financial condition and results of operations. P-Com may also find it necessary or advisable to modify its systems and services to operate in compliance with these regulations. These modifications could be expensive and time-consuming.

Risks Relating to the Operations of SPEEDCOM Following the Acquisition

SPEEDCOM may have insufficient assets and cash flow to pay its obligations as they become due.

Following completion of the Acquisition, SPEEDCOM's assets will consist of shares of P-Com common stock received in the Acquisition, which will not be marketable by SPEEDCOM for at least 185 days following completion of the Acquisition, and up to $200,000 of cash and accounts receivable, as determined in accordance with the following formula. SPEEDCOM will be entitled to retain $200,000 of cash and accounts receivable, provided, that for every two dollars of accounts payable in excess of $800,000 assumed by P-Com, the cash and accounts receivable retained by SPEEDCOM decreases by one dollar. As of September 2, 2003, SPEEDCOM had accounts receivable of approximately $515,000 and accounts payable of $814,000. Therefore, if the Acquisition had occurred on that date, SPEEDCOM would have retained cash and accounts receivable in the amount of $200,000.

The Asset Purchase Agreement obligates SPEEDCOM to retain certain liabilities. If the Acquisition occurred on September 2, 2003, these liabilities would have amounted to approximately $2.0 million in the aggregate. Therefore, if the Acquisition had occurred on September 2, 2003, SPEEDCOM would have had cash and accounts receivable in the amount of $200,000 and liabilities in the amount of $2.0 million.

SPEEDCOM may not be able to sell its shares of P-Com common stock on acceptable terms or at all.

As part of the Acquisition, SPEEDCOM will receive 67,500,000 shares of P-Com common stock in consideration for its assets. Assuming that SPEEDCOM receives 67,500,000 shares of P-Com common stock in the Acquisition and based on the closing price of P-Com common stock on September 2, 2003, these shares would have a value of $12,825,000. The shares of P-Com common stock that SPEEDCOM will receive in the Acquisition will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and, as a result, the resale of those shares by SPEEDCOM will be subject to substantial restrictions.

Under the registration rights agreement that P-Com and SPEEDCOM will enter into upon completion of the Acquisition, SPEEDCOM will be granted the right to have the resale of its shares of P-Com common stock registered for resale in the public markets. But this registration right will not be exercisable by SPEEDCOM for at least 185 days following completion of the Acquisition. The market for P-Com common stock is limited, and SPEEDCOM may not be able to sell its shares of P-Com common stock on acceptable terms or at all, even after the resale of those shares has been registered pursuant to the Securities Act.

SPEEDCOM may lack the financial resources to fund its continuing operations.

Following the closing of the Acquisition, SPEEDCOM will become a holding company. As such, its only source of revenues will be earnings on its investment portfolio, consisting of an estimated $200,000 in cash and accounts receivable, net of its estimated retained liabilities of $2.0 million as of

September 2, 2003, and its shares of P-Com common stock, having a market value of $12,825,000 as of September 2, 2003. After the Acquisition, SPEEDCOM will continue to incur expenses, relating primarily to its administration and the accounting, legal and other expenses related to maintaining its status as a publicly reporting company under the Securities Exchange Act of 1934. SPEEDCOM's investment income, together with any proceeds from the sale of its shares of P-Com common stock, may not be sufficient to pay these expenses as they come due.

SPEEDCOM may become subject to regulation as an investment company.

As soon as reasonably possible following the closing of the Acquisition, SPEEDCOM intends to be engaged primarily in a business other than that of investing, reinvesting, owning, holding or trading in securities. Consequently, for a period of one year following the closing of the Acquisition, SPEEDCOM will not be subject to regulation as an investment company. If, at the expiration of this one-year period, SPEEDCOM continues to own P-Com common stock or other investment securities that comprise 40% or more of its total assets, SPEEDCOM may become subject to extensive regulation as an investment company under the Investment Company Act of 1940, which would impose significant regulatory burdens and costs on SPEEDCOM and impose limitations upon its permitted activities.

Risk Relating to Capital Markets and P-Com Common Stock Following the Acquisition

The NASDAQ Small Cap Market has delisted P-Com's common stock and this may severely limit the ability of P-Com's stockholders to sell any of their shares of P-Com common stock.

NASDAQ moved P-Com's stock listing from the NASDAQ National Market to the NASDAQ Small Cap Market, effective August 27, 2002, due to P-Com's failure to meet certain listing requirements, including a minimum bid price of $1.00 per share. P-Com subsequently failed to meet certain NASDAQ Small Cap Market quantitative listing standards, including a minimum $1.00 per share bid price requirement, and the NASDAQ Listing Qualifications Panel determined that P-Com common stock would no longer be listed on the NASDAQ Small Cap Market. Effective March 10, 2003, P-Com's common stock commenced trading electronically on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. This move could result in a less liquid market available for existing and potential stockholders to trade shares of P-Com common stock and could ultimately further depress the trading price of P-Com common stock.

P-Com's common stock is subject to the SEC's "penny stock" regulation. For transactions covered by this regulation, broker-dealers must make a special suitability determination for the purchase of the securities and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, the rules generally require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer is also subject to additional sales practice requirements. Consequently, the penny stock rules may restrict the ability of broker-dealers to sell shares of P-Com common stock and may affect the ability of holders to sell P-Com common stock in the secondary market, and the price at which a holder can sell P-Com common stock.

P-Com's prospects for obtaining additional financing are uncertain and failure to achieve profitability or obtain needed financing will affect its ability to pursue future growth, harm its business operations and affect its ability to continue as a going concern.

If P-Com is unable to achieve profitability or raise additional debt or equity financing, it will not be able to continue as a going concern. Even if P-Com resolves its short-term going concern difficulties, its future capital requirements will depend upon many factors, including a re-energized telecommunications market, development costs of new products and related software tools, potential acquisition opportunities, maintenance of adequate manufacturing facilities and contract manufacturing agreements, progress of research and development efforts, expansion of marketing and sales efforts and status of competitive products. Additional financing may not be available in the future on acceptable terms or at all. The continued existence of a substantial amount of debt could also severely limit P-Com's ability to raise additional financing. In addition, given the recent price of its common stock, if P-Com raises additional funds by issuing equity securities, significant dilution to its stockholders could result.

If adequate funds are not available, P-Com may be required to close business or product lines, further restructure or refinance its debt or delay, scale back further or eliminate its research and development program, or manufacturing operations. P-Com may also need to obtain funds through arrangements with partners or others that may require it to relinquish its rights to certain technologies or potential products or other assets. P-Com's inability to obtain capital, or its ability to obtain additional capital only upon onerous terms, could very seriously damage its business, operating results and financial condition.

Issuing securities as a means of raising capital and the future sales of these securities in the public market could lower P-Com's stock price and adversely affect its ability to raise additional capital in subsequent financings.

P-Com has traditionally relied on debt and equity financings to meet its working capital needs. If the securities that P-Com issues in these financings are subsequently sold in the public market, the trading price of its common stock may be negatively affected. As of __________, 2003, the last reported sale price of P-Com common stock was $_____. If the market price of P-Com common stock continues to decrease, P-Com may not be able to conduct additional financings in the future on acceptable terms or at all, and its ability to raise additional capital will be significantly limited.

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If P-Com's proposal to amend its certificate of incorporation is approved, P-Com will be able to conduct additional equity financing transactions, which may be dilutive to its stockholders.

Having a sufficient number of authorized shares of P-Com common stock to issue to SPEEDCOM in the Acquisition is only one of the reasons why P-Com is asking its stockholders to approve the proposal to amend its certificate of incorporation. If P-Com's certificate of incorporation is amended and the number of authorized shares of P-Com common stock is increased to 700,000,000, assuming exercise or conversion of all outstanding options, warrants and other convertible securities, P-Com will have approximately 126 million shares available for issuance following the Acquisition. P-Com may use these shares to conduct additional financing transactions in which shares of P-Com common stock or other securities that are convertible or exercisable for shares of P-Com common stock are issued. Given the current market price of P-Com common stock, any additional financing that involves the issuance of P-Com common stock or other securities that are convertible into or exercisable for P-Com common stock will result in significant dilution to P-Com's stockholders, including SPEEDCOM following the Acquisition.

If P-Com's proposal to amend its bylaws is approved, P-Com will have a greater ability to conduct financing transactions using its equity securities and, as a result, may cause further dilution to its stockholders.

If P-Com's proposal to amend its bylaws is approved by P-Com's stockholders, P-Com will be able to issue securities that are convertible into or exercisable for shares of P-Com common stock at a conversion or exercise price that is subject to downward adjustment without obtaining stockholder approval. This downward adjustment mechanism is designed to protect the holders of these securities from having their investments diluted by future issuances of P-Com common stock at a lower price per share. This is accomplished by issuing an increased number of shares of P-Com common stock to these security holders upon the conversion or exercise of those securities. If the market price of P-Com common stock continues to decline and P-Com is forced to continue raising capital through dilutive equity financings, the holders of these convertible securities will be protected from any dilution that may occur but, as a result, P-Com's other stockholders will be diluted to a greater extent than if these convertible securities did not exist.

P-Com's stock price has been volatile and has experienced significant decline, and it may continue to be volatile and continue to decline.

In recent years, the stock market in general, and the market for shares of small capitalization technology stocks in particular, have experienced extreme price fluctuations. These fluctuations have often negatively affected small cap companies such as P-Com, and may impact its ability to raise equity capital in periods of liquidity crunch. Companies with liquidity problems also often experience downward stock price volatility. P-Com believes that factors such as announcements of developments relating to its business (including any financings or any resolution of liabilities), announcements of technological innovations or new products or enhancements by P-Com or its competitors, developments in the emerging countries' economies, sales by competitors, sales of significant volumes of P-Com common stock into the public market, developments in its relationships with customers, partners, lenders, distributors and suppliers, shortfalls or changes in revenues, gross margins, earnings or losses or other financial results that differ from analysts' expectations, regulatory developments and fluctuations in results of operations could and have caused the price of P-Com common stock to fluctuate widely and decline over the past two years during the telecommunications recession. The market price of P-Com common stock may continue to decline, or otherwise continue to experience significant fluctuations in the future, including fluctuations that are unrelated to P-Com's performance.

P-Com has adopted anti-takeover defenses that could delay or prevent an acquisition of P-Com.

P-Com's stockholder rights plan, certificate of incorporation, equity incentive plans, bylaws and Delaware law may have a significant effect in delaying, deferring or preventing a change in control and may adversely affect the voting and other rights of other holders of P-Com common stock.

The rights of the holders of P-Com common stock will be subject to, and may be adversely affected by, the rights of any other preferred stock that may be issued in the future, including the Series A Junior Participating Preferred Stock that may be issued pursuant to the stockholder rights plan, upon the occurrence of certain triggering events. In general, the stockholder rights plan provides a mechanism by which the share position of anyone that acquires 15% or more (or 20% or more in the case of the State of Wisconsin Investment Board and Firsthand Capital Management) of P-Com's common stock will be substantially diluted. Future issuance of stock or additional preferred stock could have the effect of making it more difficult for a third party to acquire a majority of P-Com's outstanding voting stock.

Issuing additional shares by sale of P-Com's securities in the public market as a primary means of raising working capital could lower P-Com's stock price and impair its ability in new stock offerings to raise funds to continue operations.

Future sales of P-Com's common stock, particularly shares issued upon the exercise or conversion of outstanding or newly issued securities upon exercise of its outstanding options, could have a significant negative effect on the market price of P-Com's common stock. These sales might also make it more difficult for P-Com to sell equity securities or equity-related securities in the future at a time and price that it would deem appropriate.

As of June 30, 2003, P-Com had approximately 40,118,000 shares of common stock outstanding. The closing market price of its shares was $0.09 per share on that date. As of June 30, 2003, there were 2,661,317 options outstanding that are vested. Based upon option exercise prices related to vested options on June 30, 2003, there would be insignificant dilution or capital raised for unexercised in-the-money options.

The conversion or exercise of P-Com's outstanding convertible securities will have a significant dilutive effect on P-Com's existing stockholders.

In August 2003, P-Com's remaining 7% Convertible Notes due 2005 converted into 1,000,000 shares of Series B Convertible Preferred Stock. The Series B Convertible Preferred Stock are convertible into approximately 105,690,000 shares of P-Com's common stock. The conversion or exercise of P-Com's outstanding convertible securities, including the Series B Convertible Preferred Stock and warrants, into shares of P-Com's common stock (which requires stockholder approval of an increase in the number of authorized common stock) will result in substantial dilution to P-Com's existing stockholders. In order to consummate the asset purchase of SPEEDCOM, P-Com intends to issue 67,500,000 additional shares of common stock. Additionally, on October 3, 2003, P-Com issued approximately 8,370 shares of Series C Convertible Preferred Stock. The Series C Convertible Preferred Stock and the warrants issued in connection with the Series C Convertible Preferred Stock are convertible into approximately 235 million shares of P-Com's common stock. These issuances will result in additional substantial dilution to P-Com's existing stockholders.

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This joint proxy statement contains forward-looking statements that involve substantial risks and uncertainties. In some cases you can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words. In particular, statements regarding expected strategic benefits, advantages and other effects of the Acquisition described in "The Acquisition" -- "P-Com's Reasons for the Acquisition" beginning on page 34 and "The Acquisition" -- "SPEEDCOM's Reasons for the Acquisition" beginning on page 31 and elsewhere in this joint proxy statement are forward-looking statements. You should read forward-looking statements carefully because they may discuss our future expectations, contain projections of P-Com's and SPEEDCOM's future results of operations or of our financial position or state other forward-looking information. P-Com and SPEEDCOM believe that it is important to communicate their future expectations to their investors. However, there may be events in the future that P-Com and SPEEDCOM are not able to accurately predict or control. The factors listed above in the section captioned "Risk Factors," as well as any cautionary language in this joint proxy statement, provide examples of risks, uncertainties and events that may cause the actual results to differ materially from any expectations they describe. Actual results or outcomes may differ materially from those predicted in the forward-looking statements due to the risks and uncertainties inherent in their business, including risks and uncertainties in:

- market acceptance of and continuing demand for their products;
- their ability to protect their intellectual property;
- the impact of competitive products, pricing and customer service and support;
- their ability to obtain additional financing to support their operations;
- obtaining and maintaining regulatory approval where required;
- changing market conditions and other risks detailed in this joint proxy statement; and
- other risks detailed in this joint proxy statement.

You should also consider carefully the statements under "Risk Factors" beginning on page 7 and other sections of this joint proxy statement and in the other documents filed with the SEC, which address factors that could cause their actual results to differ from those set forth in the forward-looking statements. You should not place undue reliance on any forward-looking statements, which reflect the views of P-Com's and SPEEDCOM's management only as of the date of this prospectus. P-Com and SPEEDCOM are not obligated to update any forward-looking statements to reflect events or circumstances that occur after the date on which such statement is made.

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ANNUAL MEETING OF P-COM STOCKHOLDERS

General

The board of directors of P-Com, Inc., a Delaware corporation, asks that you appoint its representatives as proxies to vote your shares of P-Com common stock at the annual meeting of the stockholders of P-Com to be held on November __, 2003. The annual meeting will be held at 10:00 a.m., Pacific Time at P-Com's corporate headquarters, located at 3175 S. Winchester Boulevard, Campbell, California 95008. To appoint the proxies, please sign and return the enclosed form of proxy card. These proxy solicitation materials were mailed on or about October __, 2003, to all stockholders entitled to vote at the annual meeting.

Purpose of the Annual Meeting

At the annual meeting, P-Com will ask its stockholders to approve the following matters:

1. To approve an amendment to P-Com's certificate of incorporation to increase the number of shares of common stock authorized for issuance from 69,000,000 shares to 700,000,000 shares.

2. To approve an amendment to P-Com's certificate of incorporation to implement a reverse split of P-Com's common stock at a ratio between 1-for-10 and 1-for-30. The ratio at which the reverse stock split will be implemented will be selected by P-Com's board of directors in its discretion, and the reverse stock split will be effected by the filing of a certificate of amendment in one of the forms attached to this joint proxy statement as Annex B.

3. To approve an amendment to P-Com's bylaws to permit the issuance of securities that are convertible, exercisable or exchangeable into shares of P-Com common stock at a conversion, exercise or exchange price per share that is subject to downward adjustment without having to obtain the approval of the holders of a majority of P-Com's outstanding common stock.

4. To approve the price-based antidilution feature of some of P-Com's outstanding convertible notes, convertible preferred stock and warrants, which will enable the conversion and exercise prices of these securities to be adjusted downward in the event that P-Com subsequently issues additional shares of its common stock or other securities convertible into or exercisable for shares of its common stock at a price per share that is less than the price per share paid by the purchasers of these securities.

5. To approve an amendment to P-Com's 1995 Stock Option/Stock Issuance Plan (which is referred to in this joint proxy statement as the "Stock Option Plan") to (i) increase the number of shares of P-Com common stock reserved for issuance under the Stock Option Plan from 5,786,000 shares to 66,786,000 shares, and (ii) extend the term of the Stock Option Plan from 10 years to 15 years.

6. To elect two directors to P-Com's board of directors to serve for three-year terms ending upon the 2006 annual meeting of stockholders or until a successor is duly elected and qualified.

7. To ratify the appointment of Aidman Piser & Company as independent auditors of P-Com for the fiscal year ending December 31, 2003.

8. To grant P-Com's management the discretionary authority to adjourn the annual meeting to a date or dates not later than December __,

2003, if necessary to enable P-Com's board of directors to solicit additional proxies in favor of any of the proposal listed above.

9. To consider such other matters as may properly come before the annual meeting or any adjournment of the annual meeting.

Recommendation of P-Com's Board of Directors

P-Com's board of directors has approved the Acquisition agreement and the Acquisition and has determined that the Acquisition is in the best interests of P-Com and its stockholders. In order the complete the

Acquisition, P-Com's stockholders must approve the proposal to amend P-Com's certificate of incorporation to increase the number of shares of common stock that P-Com is authorized to issue. The board of directors of P-Com has approved the amendment to increase the number of authorized shares of P-Com common stock and recommends that P-Com stockholders vote FOR the proposal to amend P-Com's certificate of incorporation to increase the number of shares of common stock that P-Com is authorized to issue from 69,000,000 to 700,000,000.

P-Com's board of directors has approved the amendment to implement a reverse split of P-Com's common stock at a ration between 1-for-10 and 1-for-30 and recommends that P-Com stockholders vote FOR the proposal to amend P-Com's certificate of incorporation to effect the reverse stock split.

P-Com's board of directors has approved the proposed amendment to P-Com's bylaws to permit the issuance of securities that are convertible, exercisable or exchangeable into shares of P-Com common stock at a conversion, exercise or exchange price per share that is subject to downward adjustment without having to obtain the approval of the holders of a majority of P-Com's outstanding common stock. P-Com's board of directors recommends that P-Com stockholders vote FOR the proposal to amend P-Com's bylaws.

P-Com's board of directors previously approved four separate private financing transactions in which P-Com issued convertible notes, convertible preferred stock and warrants that are convertible into or exercisable for shares of P-Com common stock at a conversion or exercise price that is subject to downward adjustment. The price-based antidilution feature of these securities is currently ineffective. Pursuant to P-Com's bylaws, as currently in effect, the price-based antidilution feature of these securities must be approved by the holders of a majority of P-Com's outstanding common stock in order to take effect. P-Com's board of directors recommends that P-Com stockholders vote FOR the proposal to approve the price-based antidilution feature of these securities.

P-Com's board of directors has approved the proposed amendment to P-Com's Stock Option Plan to (i) increase the number of shares of P-Com common stock reserved for issuance under the Stock Option Plan from 5,586,000 shares to 66,586,000 shares, and (ii) extend the term of the Stock Option Plan from 10 years to 15 years. P-Com's board of directors recommends that P-Com stockholders vote FOR the proposal to amend P-Com's Stock Option Plan.

P-Com's board of directors has approved the nomination of John A. Hawkins and Sam Smookler for election to the board of directors of P-Com to serve for three-year terms ending upon the 2006 annual meeting of stockholders or until their successors are duly elected and qualified. P-Com's board of directors recommends that P-Com stockholders vote FOR the election of these two director nominees.

P-Com's board of directors has approved the appointment of Aidman Piser & Company as independent auditors of P-Com for the fiscal year ending December 31, 2003. P-Com's board of directors recommends that P-Com stockholders vote FOR the ratification of the appointment of Aidman Piser & Company as independent auditors of P-Com.

It may be necessary to adjourn the annual meeting. If a quorum is not present at the annual meeting, the annual meeting may need to be adjourned to enable P-Com's board of directors to solicit additional proxies. If a quorum is present but the number of shares voting in favor of any of the proposals listed above is insufficient to approve that proposal under Delaware law, then, if the adjournment proposal has received the affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the meeting and voting on the proposal, P-Com's management will have the discretion to adjourn the annual meeting to a date or dates not later than December __, 2003 to provide P-Com's board of directors additional time to solicit proxies in favor of that proposal. P-Com's board of directors recommends that P-Com stockholders vote FOR the adjournment proposal.

To assure that your shares of P-Com common stock and Series C Preferred Stock are represented at the annual meeting, please complete, date and sign the enclosed proxy and mail it promptly in the postage-paid envelope provided or submit your proxy electronically by telephone or via the Internet, whether or not you plan to attend the meeting. You may revoke your proxy at any time before votes are cast at the meeting.

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Record Date and Outstanding Shares

Only holders of record of P-Com common stock and Series C Preferred Stock at the close of business on October 15, 2003, the record date for P-Com's annual meeting, are entitled to receive notice of and to vote at the annual meeting. On the record date, the following numbers of shares of each class of P-Com stock were issued and outstanding:

- 43,517,644 shares of P-Com common stock were issued and outstanding and held by approximately 593 holders of record.
- no shares of P-Com Series A Junior Participating Preferred Stock were issued or outstanding,
- approximately 1,000,000 shares of P-Com Series B Preferred Stock were issued and outstanding and held by three holders of record.

- approximately 8,370 shares of P-Com Series C Preferred Stock were issued and outstanding and held by approximately 185 holders of record.

Quorum and Vote Required

At the annual meeting, the holders of shares of each class of P-Com stock are entitled to vote as follows:

- Holders of P-Com common stock will be entitled to one vote per share of common stock held as of the record date.

- Holders of P-Com Series B Preferred Stock will not be entitled vote.

- Holders of P-Com Series C Preferred Stock will be entitled to one vote for each share of P-Com common stock issuable upon conversion of the Series C Preferred Stock held as of the record date.

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present at the annual meeting if shares representing a majority of the votes entitled to be cast are represented in person or by proxy. If a quorum is not present at the annual meeting, P-Com expects that the meeting will be adjourned or postponed to solicit additional proxies. Abstentions and "broker non-votes" count as being present to establish a quorum. A "broker non-vote" occurs when a broker is not permitted to vote because the broker does not have instructions from the beneficial owner of the shares and the broker does not have the discretion under applicable exchange rules to vote on matters presented.

Each of the proposals to approve amendments to P-Com's certificate of incorporation (Proposals 1 and 2), to approve an amendment to P-Com's bylaws (Proposal 3) and to approve the price-based antidilution feature of some of P-Com's outstanding convertible notes, convertible preferred stock and warrants (Proposal 4) requires the affirmative vote of (i) the holders of a majority of the shares of P-Com common stock outstanding as of the record date, voting as a separate class, and (ii) the holders of a majority of the shares of P-Com common stock and Series C Preferred Stock outstanding as of the record date, voting together as a single class. Abstentions and broker non-votes will have the same effect as a vote against these proposals.

Directors are elected by a plurality vote, which means that the two nominees who receive the most votes will be elected to the board of directors of P-Com. P-Com stockholders may not cumulate their votes in the election of directors. Abstentions and broker non-votes will not affect the outcome of the vote on the election of directors.

All other proposals will be decided by the affirmative vote of the holders of a majority of the shares of P-Com common stock and Series C Preferred Stock present in person or represented by proxy at the annual meeting and entitled to vote on the matters presented. Abstentions and broker non-votes will not affect the outcome of the vote on these proposals.

All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

Proxies

All shares of P-Com common stock and Series C Preferred Stock represented by properly executed proxies and received in time for the annual meeting (and not revoked) will be voted at the annual meeting in the manner specified by the grantors of those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR each of the proposals described in the accompanying notice of annual meeting and this joint proxy statement, and the proxy holder may vote the proxy in its discretion as to any other matter which may properly come before the meeting.

If you are a holder of shares of P-Com common stock or Series C Preferred Stock, in order for your shares to be included in the vote, you must vote your shares by one of the following means:

- in person by written ballot;
- by proxy by completing, signing and dating the enclosed proxy and returning it in the enclosed postage paid envelope;
- in the United States, Canada and Puerto Rico, by telephone by calling 1-877-PRX-VOTE (1-877-779-8683), as noted on the proxy card; or
- via the Internet by visiting http://www.eproxyvote.com/pcom, as noted on the proxy card.

Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote those shares in person at the annual meeting, you must obtain from the nominee holding your P-Com common stock or Series C Preferred Stock a properly executed legal proxy, identifying you as a P-Com stockholder, authorizing you to act on behalf of the nominee at the annual meeting, and identifying the number of shares with respect to which the authorization is granted.

Only shares affirmatively voted for the approval of the proposals set forth above, including properly executed proxies that do not contain voting instructions, will be counted as votes in favor of such proposals. Brokers who hold shares of P-Com common stock or Series C Preferred Stock in street name for customers who are the beneficial owners of those shares may not give a proxy to vote those shares without specific instructions from those customers.

P-Com does not expect that any matter other than the proposals set forth above will be brought before its annual meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment.

Revocation of Proxies

All properly signed proxies that P-Com receives before the vote at the annual meeting that are not revoked will be voted at the annual meeting according to the instructions indicated on the proxies or, if no direction is indicated, to approve each of the proposals described in the accompanying notice of annual meeting and this joint proxy statement. P-Com stockholders may revoke their proxies at any time before it is exercised by taking any of the following actions:

- o delivering a written notice to the corporate secretary of P-Com by any means, including facsimile, bearing a date later than the date of the proxy, stating that the proxy is revoked;
- o signing and delivering a proxy relating to the same shares and bearing a later date before the vote at the meeting;

- o delivering electronically by telephone or the Internet a valid proxy relating to the same shares and bearing a later date before the vote at the meeting; or
- o attending the meeting and voting in person by written ballot, although attendance at the meeting will not, by itself, revoke a proxy.

Appraisal Rights Under Delaware Law

P-Com stockholders are not entitled to appraisal rights in connection with the Acquisition or any of the other matters submitted to P-Com's stockholders for approval.

Expenses; Solicitation

P-Com will mail a copy of this joint proxy statement to each holder of record of its common stock and Series C Preferred Stock as determined on the record date for P-Com's annual meeting. P-Com will pay the expenses of soliciting proxies to be voted at its annual meeting, except that P-Com and SPEEDCOM will share equally the expenses incurred in connection with filing and printing this joint proxy statement. After the original mailing of the proxies and other soliciting materials, P-Com will request brokers, custodians, nominees and other record holders of P-Com common stock and Series C Preferred Stock to forward copies of the proxy and other soliciting materials to persons for whom they hold shares of P-Com common stock and Series C Preferred Stock and to request authority for the exercise of proxies. In those cases, upon the request of the record holders, P-Com will reimburse such holders for their reasonable expenses. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone or other means by directors, officers or employees of P-Com. No additional compensation will be paid to these individuals for any such services. Except as described above, P-Com does not presently intend to solicit proxies other than by mail.

Shares held by P-Com Directors and Executive Officers

As of the record date, the directors and executive officers of P-Com owned approximately 1,442,059 outstanding shares of P-Com common stock and approximately 65 shares of P-Com Series C Preferred Stock. The common stock owned by the directors and executive officers of P-Com represented approximately 3.3% of the 43,517,644 shares of P-Com common stock outstanding on that date.

SPECIAL MEETING OF THE SPEEDCOM STOCKHOLDERS

General

The board of directors of SPEEDCOM Wireless Corporation, a Delaware corporation, asks that you appoint its representatives as proxies to vote your shares of SPEEDCOM common stock at the special meeting of the stockholders of SPEEDCOM to be held on November __, 2003. The special meeting will be held at 9:00 a.m., Pacific Time at the corporate headquarters of P-Com, Inc., located at 3175 S. Winchester Boulevard, Campbell, California 95008. To appoint the proxies, please sign and return the enclosed form of proxy card. These proxy solicitation materials were mailed on or about October __, 2003, to all stockholders entitled to vote at the special meeting.

Purpose of the Special Meeting

At the special meeting, SPEEDCOM will ask its stockholders to approve the following matters:

1. To adopt and approve the Asset Purchase Agreement, dated June 16, 2003, between SPEEDCOM and P-Com and to approve the Acquisition whereby P-Com will acquire substantially all of the assets of SPEEDCOM and assume certain liabilities of SPEEDCOM.

2. To adopt an amendment to SPEEDCOM's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 250,000,000 to 500,000,000 shares.

3. To grant SPEEDCOM's management the discretionary authority to adjourn the special meeting to a date or dates not later than December __, 2003, if necessary to enable SPEEDCOM's board of directors to solicit additional proxies in favor of any of the proposals listed above.

4. To consider such other matters as may properly come before the special meeting or any adjournment of the special meeting.

Recommendation of SPEEDCOM's Board of Directors

After careful consideration, SPEEDCOM's board of directors has approved the Asset Purchase Agreement and the related Acquisition, and recommends a vote FOR the proposal to approve and adopt the Asset Purchase Agreement and the Acquisition.

SPEEDCOM's board of directors has approved the proposed amendment to SPEEDCOM's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 250,000,000 to 500,000,000. SPEEDCOM's board of directors recommends that SPEEDCOM stockholders vote FOR the proposal to amend SPEEDCOM's Amended and Restated Certificate of Incorporation.

It may be necessary to adjourn the special meeting. If a quorum is not present at the special meeting, the special meeting may need to be adjourned to enable SPEEDCOM's board of directors to solicit additional proxies. If a quorum is present but the number of shares voting in favor of any of the proposals listed above is insufficient to approve that proposal under Delaware law, then, if the adjournment proposal has received the affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the meeting and voting on the proposal, SPEEDCOM's management will have the discretion to adjourn the special meeting to a date or dates not later than December __, 2003 to provide SPEEDCOM's board of directors additional time to solicit proxies in favor of that proposal. SPEEDCOM's board of directors recommends that SPEEDCOM stockholders vote FOR the adjournment proposal.

Record Date and Outstanding Shares

Only holders of record of SPEEDCOM common stock at the close of business on October __, 2003, the record date for SPEEDCOM's special meeting, are entitled to receive notice of and to vote at the special meeting. On the record date, 20,323,997 shares of SPEEDCOM common stock were issued and outstanding and held by approximately 1,200 holders of record.

Quorum and Vote Required

At the special meeting, the holders of shares of SPEEDCOM common stock will be entitled to cast one vote per share of common stock held as of the record date. Only holders of SPEEDCOM common stock on the record date will be entitled to vote at the SPEEDCOM special meeting.

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present at the SPEEDCOM special meeting if shares representing a majority of the votes entitled to be cast are represented in person or by proxy. If a quorum is not present at the special meeting, SPEEDCOM expects that the meeting will be adjourned or postponed to solicit additional proxies. Abstentions and "broker non-votes" count as being present to establish a quorum. A "broker non-vote" occurs when a broker is not permitted to vote because the broker does not have instructions from the beneficial owner of the shares and the broker does not have the discretion under applicable exchange rules to vote on matters presented.

The proposal to approve and adopt the Asset Purchase Agreement and the Acquisition and the proposal to amend SPEEDCOM's Amended and Restated Certificate of Incorporation each requires the affirmative vote of the holders of a majority of the shares of SPEEDCOM common stock outstanding as of the record date. Abstentions and broker non-votes will have the same effect as a vote against these proposals.

The adjournment proposal will be decided by the affirmative vote of the holders of a majority of the shares of SPEEDCOM common stock present in person or represented by proxy at the special meeting and entitled to vote on the matters presented. Abstentions and broker non-votes will not affect the outcome of the vote on these proposals.

All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

Proxies

All shares of SPEEDCOM common stock represented by properly executed proxies and received in time for the special meeting (and not revoked) will be voted at the special meeting in the manner specified by the grantors of those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR each of the proposals described in the accompanying notice of special meeting and this joint proxy statement, and the proxy holder may vote the proxy in its discretion as to any other matter which may properly come before the meeting.

If you are a holder of shares of SPEEDCOM common stock, in order for your shares to be included in the vote, you must vote your shares by one of the following means:

- in person by written ballot; or
- by proxy by completing, signing and dating the enclosed proxy and returning it in the enclosed postage paid envelope;

Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote those shares in person at the special meeting, you must obtain from the nominee holding your SPEEDCOM common stock a properly executed legal proxy, identifying you as a SPEEDCOM stockholder, authorizing you to act on behalf of the nominee at the special meeting, and identifying the number of shares with respect to which the authorization is granted.

Only shares affirmatively voted for the approval of the proposals set forth above, including properly executed proxies that do not contain voting instructions, will be counted as votes in favor of such proposals. Brokers who hold shares of SPEEDCOM common stock in street name for customers who are the beneficial owners of those shares may not give a proxy to vote those shares without specific instructions from those customers.

SPEEDCOM does not expect that any matter other than the proposals set forth above will be brought before its special meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment.

Revocation of Proxies

All properly signed proxies that SPEEDCOM receives before the vote at the special meeting that are not revoked will be voted at the special meeting according to the instructions indicated on the proxies or, if no direction is indicated, to approve the proposals described in the accompanying notice of special meeting and this joint proxy statement. SPEEDCOM stockholders may revoke their proxies at any time before it is exercised by taking any of the following actions:

- delivering a written notice to the corporate secretary of SPEEDCOM by any means, including facsimile, bearing a date later than the date of the proxy, stating that the proxy is revoked;
- signing and delivering a proxy relating to the same shares and bearing a later date before the vote at the special meeting;
- attending the special meeting and voting in person by written ballot, although attendance at the special meeting will not, by

itself, revoke a proxy.

Appraisal Rights Under Delaware Law

SPEEDCOM stockholders are not entitled to appraisal rights in connection with the Acquisition or any of the other matters submitted to SPEEDCOM's stockholders for approval.

Expenses; Solicitation

SPEEDCOM will mail a copy of this joint proxy statement to each holder of record of its common stock as determined on the record date for SPEEDCOM's special meeting. SPEEDCOM will pay the expenses of soliciting proxies to be voted at its special meeting, except that P-Com and SPEEDCOM will share equally the expenses incurred in connection with filing and printing this joint proxy statement. After the original mailing of the proxies and other soliciting materials, SPEEDCOM will request brokers, custodians, nominees and other record holders of SPEEDCOM common stock to forward copies of the proxy and other soliciting materials to persons for whom they hold shares of SPEEDCOM common stock and to request authority for the exercise of proxies. In those cases, upon the request of the record holders, SPEEDCOM will reimburse such holders for their reasonable expenses. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone or other means by directors, officers or employees of SPEEDCOM. No additional compensation will be paid to these individuals for any such services. Except as described above, SPEEDCOM does not presently intend to solicit proxies other than by mail.

Shares held by SPEEDCOM Directors and Executive Officers

As of the record date, the directors and executive officers of SPEEDCOM owned 15,000 outstanding shares of SPEEDCOM common stock. These shares represented approximately less than 1% of the 20,323,997 shares of SPEEDCOM common stock outstanding on that date.

THE ACQUISITION

General

Under the terms of the Asset Purchase Agreement, dated June 16, 2003, between P-Com and SPEEDCOM, P-Com will purchase substantially all of the operating assets of SPEEDCOM. As payment for the assets of SPEEDCOM, P-Com will issue 67,500,000 shares of its common stock to SPEEDCOM, and assume certain liabilities of SPEEDCOM. SPEEDCOM will retain up to $200,000 of its cash and accounts receivable based on the following formula. P-Com will assume $800,000 of SPEEDCOM's accounts payable and for every two dollars of SPEEDCOM's accounts payable that P-Com assumes in excess of $800,000, the amount of cash and accounts receivable retained by SPEEDCOM will be reduced by one dollar.

Completion and Effectiveness of the Acquisition

The Acquisition will be completed when all of the conditions to completion of the Acquisition are satisfied or waived, including the approval of the amendment to P-Com's certificate of incorporation to increase the number of authorized shares of P-Com common stock by the stockholders of P-Com and the approval and adoption of the Asset Purchase Agreement and the Acquisition by the stockholders of SPEEDCOM.

P-Com and SPEEDCOM are working toward completing the Acquisition as quickly as possible. P-Com and SPEEDCOM intend to complete the Acquisition promptly after the stockholders of P-Com approve the amendment to P-Com's certificate of incorporation and the stockholders of SPEEDCOM approve the Acquisition at their respective meetings. P-Com and SPEEDCOM expect to complete the Acquisition in the fourth quarter of 2003.

Shares Issued by P-Com to SPEEDCOM

As payment for the assets of SPEEDCOM, P-Com will issue to SPEEDCOM 67,500,000 shares of P-Com common stock. P-Com anticipates that approximately 363 million shares of its common stock will be issued and outstanding immediately following the closing of the Acquisition, based on the following facts and assumptions:

- approximately 43,517,644 shares of P-Com common stock are currently outstanding;
- the issuance of approximately 105,690,000 shares of its common stock upon the conversion of its outstanding Series B Convertible Preferred Stock;
- the issuance of 67,500,000 shares of P-Com common stock to SPEEDCOM; and
- the issuance of approximately 146,460,290 shares of P-Com common stock upon the conversion of its outstanding Series C Convertible Preferred Stock.

If the foregoing assumptions are correct and approximately 43,517,644 shares of P-Com common stock are outstanding immediately prior to the closing of the Acquisition, then immediately following the completion of the Acquisition, the shares of P-Com common stock issued to SPEEDCOM will equal approximately 18.6% of the total outstanding shares of P-Com common stock.

The number of shares of common stock issued and outstanding immediately following the closing of the Acquisition excludes the issuance of shares of common stock upon exercise of options and warrants of P-Com.

Liabilities to be Assumed by P-Com

Pursuant to the Asset Purchase Agreement, P-Com will assume all of the liabilities of SPEEDCOM described below, and will not assume any other liabilities of SPEEDCOM.

Accounts Payable. P-Com will assume all of SPEEDCOM's accounts payable generated in the ordinary course of its business prior to the completion of the Acquisition up to a maximum amount of $1,200,000. P-Com will not assume certain specified accounts payable of SPEEDCOM in the aggregate amount of approximately $2.0 million. As of September 2, 2003, the total accounts payable of SPEEDCOM amounted to approximately $814,000.

Accrued Expenses. P-Com will assume only the following accrued liabilities of SPEEDCOM:

- Accrued payroll and vacation pay expenses, not to exceed $150,000 in the aggregate. As of September 2, 2003, these expenses amounted to approximately $184,000;
- Severance obligations in an amount not to exceed $107,500 owing to former employees of SPEEDCOM;
- Customer deposits, which amounted to approximately $113,000 as of September 2, 2003; and
- SPEEDCOM's other accrued expenses in an amount not to exceed $25,000. As of September 2, 2003, these expenses amounted to approximately $42,000.

Notes and Leases Payable. P-Com will assume only the following promissory notes and lease payment obligations of SPEEDCOM:

- Up to $3,000,000 in promissory notes, provided that those notes have been renegotiated so that the principal amounts due thereunder will not be payable for at least 36 months following the completion of the Acquisition, and the applicable interest rate will not to exceed 7%. As of September 2, 2003, the total amount owed by SPEEDCOM under its promissory notes amounted to approximately $3.9 million;
- Capital lease obligations, not to exceed $27,000. As of September 2, 2003, these lease obligations amounted to approximately $21,000;
- Operating lease obligations related to properties, computer equipment and other operating assets of SPEEDCOM. As of September 2, 2003, these lease obligations amounted to approximately $4,300,000; and

- All amounts owed by SPEEDCOM to P-Com. As of September 2, 2003, these amounts amounted to approximately $925,000.

Assets and Liabilities to be Retained by SPEEDCOM

The Asset Purchase Agreement entitles SPEEDCOM to retain up to $200,000 in cash and accounts receivable. The amount of accounts receivable that SPEEDCOM may retain is limited to one-half of the amount by which its accounts payable, which would otherwise be assumed by P-Com, are reduced prior to the completion of the Acquisition as a result of negotiations between SPEEDCOM and its creditors.

The Asset Purchase Agreement provides that SPEEDCOM will retain all of the liabilities not assumed by P-Com, as described above. The assets retained by SPEEDCOM may not be sufficient for SPEEDCOM to pay its remaining liabilities when and as they become due following the Acquisition.

Required Stockholder Approvals

In order to consummate the Acquisition with SPEEDCOM, P-Com must obtain stockholder approval to amend its certificate of incorporation to increase the number of shares of common stock that P-Com is authorized to issue. In order to consummate the Acquisition with P-Com, SPEEDCOM must obtain stockholder approval for the Acquisition.

Appraisal or Dissenters' Rights

Under Delaware law, P-Com and SPEEDCOM stockholders are not entitled to appraisal rights in connection with the Acquisition.

Material United States Income Tax Consequences of the Acquisition

SPEEDCOM will recognize gain from the Acquisition in an amount equal to the difference between the fair market value of the consideration received from the sale of its assets and liabilities and SPEEDCOM's adjusted tax basis in those same assets and liabilities. However, SPEEDCOM currently has sufficient net operating losses to offset the taxable gain based on the current terms of the Acquisition.

The Acquisition will not materially affect P-Com stockholders and SPEEDCOM stockholders for United States income tax purposes.

This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the Acquisition. Tax matters are very complicated, and the tax consequences of the Acquisition to you will depend upon the facts of your particular situation. Accordingly, P-Com and SPEEDCOM strongly urge you to consult with a tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the Acquisition.

No Financial Advisors

Neither P-Com nor SPEEDCOM has obtained the opinion of any financial advisor or other third party as to the fairness of the Acquisition to the stockholders of P-Com and SPEEDCOM from a financial point of view, or as to any other matters. The respective boards of directors of P-Com and SPEEDCOM did not believe that obtaining such an opinion would be an appropriate use of corporate funds. Such an opinion is not required by the Delaware General Corporation Law. Nevertheless, the respective boards of directors of P-Com and SPEEDCOM each believe that the Acquisition is in the best interests of the stockholders of their respective companies.

Because of the absence of a fairness opinion, there will be no independent assurance from an expert that the consummation of the Acquisition is fair from a financial point of view to the stockholders of either P-Com or SPEEDCOM.

Background of the Acquisition

In light of the current industry and financial market conditions, both P-Com and SPEEDCOM regularly evaluate a wide variety of different strategies to increase revenue and achieve profitability, and business scenarios to improve their competitive positions and enhance their respective stockholder values, including opportunities for acquisitions of other companies or product lines, possible partnerships or alliances, and other strategic transactions. In particular, throughout much of 2002 and the first quarter of 2003, P-Com, together with its financial advisor, Cagan McAfee Capital Partners, LLC ("CMCP"), considered and investigated a variety of possible strategic transactions. Similarly, throughout 2002 and 2003, SPEEDCOM, through its principal investor group, explored various strategic transactions designed to improve SPEEDCOM's financial position.

On March 10 and 11, 2003, Michael Sternberg, the former Chief Executive Officer of SPEEDCOM, and Mark Schaftlein, the current Interim Chief Financial Officer of SPEEDCOM, met with its principal investor group in New York, at the offices of H.C. Wainwright & Co., Inc. ("Wainwright"). Wainwright acted as financial advisors to the investment group. The purpose of the meeting was to consider a possible transaction with P-Com, as well as other alternatives to remaining a separate corporation. Prior to that meeting, management of P-Com was introduced to representatives of Wainwright, the purpose of which was to explore whether Wainwright could assist P-Com in obtaining additional debt or equity capital. Representatives of Wainwright then discussed with management of P-Com the possibility of combining SPEEDCOM and P-Com, in addition to obtaining bridge financing for P-Com.

P-Com's management reviewed SPEEDCOM's public filings and determined that combining with SPEEDCOM was consistent with P-Com's strategy of acquiring or merging with similar companies offering complementary products in the fixed wireless communications industry. Similarly, SPEEDCOM's management determined that combining with P-Com represented the most desirable course of action given the difficult industry and market conditions, as well as the synergies represented by the combined companies.

On March 20, 2003, P-Com held a special meeting of its board of directors to consider the terms offered by an investor group represented by Wainwright to provide P-Com with bridge financing. At that meeting, the board of directors was briefed regarding the opportunity to acquire SPEEDCOM.

Contemporaneous with the negotiations with Wainwright of a bridge financing transaction, George Roberts, P-Com's Chief Executive Officer, met with Mr. Sternberg to discuss a possible transaction between SPEEDCOM and P-Com. The initial meeting occurred on March 21, 2003. At that meeting, SPEEDCOM and P-Com signed a mutual non-disclosure agreement relating to the possible combination of the two companies.

On March 26, 2003, P-Com obtained bridge financing from SPEEDCOM's principal investor group in the amount of $1.5 million, of which $400,000 was loaned to SPEEDCOM, in anticipation of an acquisition of SPEEDCOM. Discussions between Wainwright, P-Com and SPEEDCOM continued through March and early April 2003.

On April 8, 2003, P-Com proposed a draft term sheet based on the discussions between the parties. The parties determined to stay the execution of a term sheet pending completion of due diligence, and resolution of certain issues pertaining to valuation, deal structure and integration.

On May 7, 8 and 9, 2003, Mr. Schlaftlein met with Daniel Rumsey, P-Com's Acting Chief Financial Officer and General Counsel at P-Com's offices in Campbell, California. The primary purpose of the meetings was to better understand the company that would result from the combination of SPEEDCOM and P-Com, and to exchange certain information necessary to evaluate their respective businesses, and a potential transaction. Numerous issues were discussed relating to the combination of the two companies, including capabilities, synergies, organization and pro-forma financial projections.

On May 8, 2003, P-Com held a special meeting of its board of directors. At that meeting, Messrs. Rumsey and Roberts reviewed the opportunity presented by SPEEDCOM, and advised the directors regarding management's intent to conduct further due diligence and negotiate a transaction involving the acquisition of SPEEDCOM.

On May 14 and 15, 2003, Don Meiners, P-Com's Vice President - Operations, visited SPEEDCOM in Sarasota, Florida to evaluate the capabilities of both engineering and operations, and staffing issues, and reported back to Messrs. Rumsey and Roberts regarding his findings.

From May 18 to May 21, 2003, Messrs. Rumsey, Roberts and Laird Cagan of CMCP met with Messrs. Schlaftlein and Craig Roos, a member of SPEEDCOM's board of directors, in New York at the officers of Wainwright. At the meetings, each company presented an overview of its business, including product descriptions, projections, and possible strategic business opportunities. Representatives of both companies also discussed the potential synergies that could arise from a combination of the two companies. At those meetings, the attendees discussed a proposed structure whereby P-Com would acquire substantially all of the assets of SPEEDCOM, and agreed to a timetable to negotiate and execute a definitive agreement. No definitive agreement was reached at that point.

Following the meetings in New York, on May 22, 2003, Mr. Cagan visited SPEEDCOM's offices in Sarasota, Florida to review SPEEDCOM's operations. On that date, P-Com held a special meeting of the board of directors. At that meeting, directors were briefed by management regarding opportunities presented by the acquisition, the status of negotiations, and proposed acquisition terms. A final briefing of the board of directors of P-Com occurred at a special meeting of the board held on June 5, 2003. At that meeting, Messrs. Rumsey and Roberts briefed the board of directors of P-Com regarding the final results of their due diligence findings, and recommended that the board of directors approve the draft Asset Purchase Agreement presented at the meeting. The board of directors unanimously approved the draft Asset Purchase Agreement at that meeting, subject to changes to the Asset Purchase Agreement deemed advisable by management of P-Com, and in the best interests of its shareholders.

On June 5, 2003, SPEEDCOM held a special meeting of its board of directors to discuss the terms of the Asset Purchase Agreement. The meeting was attended by all members of the board, in addition to Messrs. Schaftlein and Sean McGuinness, counsel to SPEEDCOM. The following week, on June __, 2003, the board of directors reconvened to review the transaction, and to further discuss the issues described below under "SPEEDCOM's Reasons for the Acquisition." After considering these issues, the board of directors voted unanimously to approve the Acquisition. The board of directors then directed Mr. Schaftlein to complete the negotiations with management of P-Com, and to execute the Asset Purchase Agreement, with such changes as deemed necessary and advisable by management of SPEEDCOM.

On June 10 and 13, 2003, P-Com's Senior Vice President - Worldwide Sales, Randy Carl, visited SPEEDCOM's offices in Sarasota, Florida to meet with SPEEDCOM's sales staff, and to conduct a review of SPEEDCOM's sales and marketing organizations. Mr. Carl's findings were presented to Messrs. Roberts and Rumsey following the conclusion of his trip.

On June 16, 2003, the Asset Purchase Agreement and related documents were executed and delivered. The next day, Speedcom and P-Com issued a joint public announcement of the Acquisition.

SPEEDCOM's Reasons for the Acquisition

In approving the Asset Purchase Agreement and in recommending that SPEEDCOM's stockholders approve the Acquisition, the SPEEDCOM board of directors consulted with SPEEDCOM's management, as well as its legal advisors, and considered a number of factors. The board considered information from a variety of sources, including:

- the familiarity of SPEEDCOM's board of directors and management with the business, operations and prospects of P-Com;

- the familiarity of SPEEDCOM's board of directors and management with the wireless telecommunications industry and other companies in that industry;

- the board's exploration of the possibility of a business combination with P-Com, the attractiveness and viability of other potential business combinations, business ventures, or strategic transactions, the

alternative of remaining an independent company, a potential liquidation of SPEEDCOM, and the board's assessment of the risks and potential rewards associated with these strategic alternatives, as well as the time and costs associated with these strategic alternatives;

- current financial market conditions and historical market prices, volatility, and trading information about the P-Com common stock and the SPEEDCOM common stock;

- consultations with SPEEDCOM's management and advisors concerning the business, operations, financial condition, organizational structure, technology, products and services, and competitive positions of P-Com and SPEEDCOM on both an historical and prospective basis;

- written reports from and discussions with SPEEDCOM's management and advisors regarding the results of their due diligence investigations of P-Com; and

- information from SPEEDCOM's management and from research reports from industry analysts regarding trends in the wireless communications industry, including the expected duration of the current economic downturn and the relative degree to which the current economic downturn is expected to continue to affect P-Com and SPEEDCOM.

In reaching its decision to approve the Asset Purchase Agreement and to recommend that the SPEEDCOM stockholders vote to approve the Acquisition, SPEEDCOM's board of directors identified the following material factors, which, taken as a whole, supported its decision:

- the opportunity for SPEEDCOM to become a strategically important part of a company that has had more success in generating revenue than SPEEDCOM;

- the risks associated with remaining independent in light of the extended downturn in the wireless communications industry;

- the absence of more attractive strategic alternatives to the proposed Acquisition, despite the efforts undertaken to identify such alternatives;

- the risks and delays associated with a possible liquidation of SPEEDCOM;

- the possibility that the trading market for the common stock of the combined company would be more liquid than the trading market for SPEEDCOM common stock;

- the board's assessment of the financial terms of the Acquisition in light of SPEEDCOM's recent operating performance, current industry and financial market conditions, the relative contributions expected to be made by the two companies to the results of operations of the combined company, and the historical trading prices and volatility of P-Com common stock and SPEEDCOM common stock; and

- the terms and conditions of the Asset Purchase Agreement.

In its deliberations concerning the Acquisition, SPEEDCOM's board of directors also identified and considered a number of risks and potentially negative factors, including the following:

- the fact that P-Com's revenues have declined substantially since fiscal 2000, the risk that P-Com would not meet revenue expectations, the risk that revenue contemplated by announced contracts would not be realized, and the risk that P-Com's expense reduction programs would be inadequate to return it to profitability or would disrupt the ability of the combined company to carry out its business plan;

- the fact that P-Com has substantial current, long-term, and contingent liabilities, and has substantial negative working capital;

- the risk that the downturn in P-Com's business would cause its current suppliers and manufacturing partners to cease doing business with the combined company, either at all or on acceptable terms;

- the risk that the combined company would need to raise additional capital within a short time after the Acquisition and would be unable to do so, either at all or on acceptable terms;

- the possible adverse effects of the public announcement of the Acquisition on the sales of P-Com and SPEEDCOM and their respective relationships with employees, suppliers and strategic partners, including the possibility that the combined company might not succeed in retaining key employees of P-Com and SPEEDCOM;

- the significant costs that had been and would be incurred by SPEEDCOM in seeking to complete the Acquisition, including severance costs and legal, accounting, financial advisor and other fees relating to the Acquisition;

- the risk that the integration of SPEEDCOM and P-Com would be an expensive, complex, and time-consuming process that could disrupt the business of either or both companies if not completed in a timely and efficient manner;

- the risk that the contemplated and potential benefits of the Acquisition might not be realized;

- the risk that the Acquisition might not be completed and the potential adverse effects of the failure to complete the Acquisition on SPEEDCOM's operating results, the trading price of SPEEDCOM common stock, business partners, customers, suppliers, and SPEEDCOM's ability to attract and retain key management and other personnel;

- the likelihood that the termination fee payable under the Asset Purchase Agreement would deter a third-party acquisition proposal more favorable to the holders of SPEEDCOM common stock than the proposed Acquisition with P-Com;

- the risk that SPEEDCOM would have to pay a termination fee if the Asset Purchase Agreement were terminated under some circumstances; and

- other applicable risks described in this joint proxy statement under the heading "Risk Factors" beginning on page 7.

After due consideration, SPEEDCOM's board of directors concluded that the potential benefits to SPEEDCOM and its stockholders of the Acquisition outweighed the risks associated with the Acquisition.

Although this discussion summarizes the material factors discussed by SPEEDCOM's board of directors at meetings of the board, it is not an exhaustive list of all the factors considered by the board. In view of the wide variety of factors considered in connection with the board's evaluation of the Acquisition and the complexity of these matters, the board did not quantify or otherwise assign relative weights to the positive or negative factors described above. Rather, SPEEDCOM's board made its determination based on the totality of the information it considered. In addition, individual members of SPEEDCOM's board may have given different weights to different factors. The members of the board were aware that one of the directors of SPEEDCOM may have interests in the Acquisition in addition to, or different from, their interests as stockholders of SPEEDCOM, and the board considered these interests in deciding to recommend the transaction.

Interests of SPEEDCOM's Directors and Executive Officers in the Acquisition

The Asset Purchase Agreement obligates P-Com to assume SPEEDCOM's obligations under the employment agreements between SPEEDCOM and two of its executive officers. These employment agreements entitle these officers to receive severance payments for stated periods if their employment is terminated following a change in control of SPEEDCOM. A change in control of SPEEDCOM, as defined in these employment agreements has already occurred as a result of changes in the composition of SPEEDCOM's board of directors that occurred in the first quarter of 2002.

R. Craig Roos, a director of SPEEDCOM, has agreed to join the board of directors of P-Com following consummation of the Acquisition. The receipt of any compensation as a result of his election to the board of directors of P-Com may influence this director in making his recommendation that you vote in favor of the Asset Purchase Agreement and the Acquisition.

Recommendation of SPEEDCOM's Board of Directors

After careful consideration, SPEEDCOM's board of directors determined that the Acquisition is in the best interests of SPEEDCOM and its stockholders and declared the Acquisition advisable. SPEEDCOM's board of directors has approved the Asset Purchase Agreement and the related Acquisition and recommends that SPEEDCOM stockholders vote FOR the approval of the Asset Purchase Agreement and the Acquisition.

In considering the recommendation of the SPEEDCOM board of directors with respect to the Asset Purchase Agreement, you should be aware that certain directors and executive officers of SPEEDCOM have interests in the Acquisition that are different from, or are in addition to, the interests of SPEEDCOM stockholders. Please see the section entitled "Interests of SPEEDCOM's Directors and Executive Officers in the Acquisition" beginning on page 34 of this joint proxy statement.

P-Com's Reasons for the Acquisition

In approving the Acquisition and in recommending that P-Com's stockholders approve the amendment to P-Com's certificate of incorporation to increase the number of authorized shares of P-Com common stock, the P-Com board of directors considered a number of factors, including, but not limited to, the following:

- Information concerning P-Com's and SPEEDCOM's respective businesses, prospects, business plans, financial performance and condition, results of operations, technology and competitive positions;

- P-Com management's view of the positive results of combining the operations and businesses of P-Com and SPEEDCOM, including:

  - The ability to acquire a lower price-point unlicensed point-to-point and spread spectrum wireless access system to compliment P-Com's existing product line;

  - The ability to capture additional sales in the enterprise and government market, where SPEEDCOM has existing relationships;

  - The enlargement of P-Com's distribution network as a result of the addition of SPEEDCOM's distribution network;

  - The ability to move some of P-Com's manufacturing operations to Florida in order to take advantage of lower cost-of-living expenses and labor costs;

  - The ability to substantially reduce administrative and operating costs by combining two public companies; and

  - The ability to obtain additional working capital and consummate its restructuring plan;

- The current state of the telecommunications industry and the current state of P-Com;

- The due diligence investigation conducted by P-Com's management and legal and financial advisors;

- The terms of the Asset Purchase Agreement, including price and structure, which were considered by both the P-Com board of directors and management of P-Com to provide a fair and equitable basis for the Acquisition;

- The presentations by representatives of Cagan McAfee Capital Partners, LLC regarding the financial aspects of the Acquisition, including the valuation of SPEEDCOM; and

- The current financial market conditions and historical stock market prices, volatility and trading information.

In arriving at its determination that the Acquisition is in the best interest of P-Com and its stockholders, the board of directors carefully considered the terms of the Asset Purchase Agreement and the other transaction documents, as well as the potential impact of the purchase on P-Com. In authorizing the sale, the board of directors considered the factors set out above as well as the following factors:

- SPEEDCOM's product line is complementary to that of P-Com's;

- A stronger and more compelling portfolio of products created by the addition of SPEEDCOM's product line, including the SPEEDLAN 9000, as a result of the Acquisition;

- SPEEDCOM's expertise and experience in the enterprise and government markets, which will enhance P-Com's ability to effectively penetrate these markets; and

- The significant consolidation occurring in the wireless industry and the need for P-Com to combine in order to offer additional products, networking technologies and other product offerings in order to maintain its position as a leading source for wireless equipment and networks with a broad array of products.

The P-Com board of directors also considered a number of potentially negative factors, including, but not limited to:

- the risk that the potential benefits sought in the Acquisition might not be fully realized;

- the risk that, despite the efforts of P-Com and SPEEDCOM, key technical, sales and management personnel might not remain employees of the combined company following the Acquisition;

- the technical difficulties of integrating broadband wireless access products, networks, technologies and companies;

- the potential negative effect on P-Com's stock price associated with public announcement of the proposed Acquisition;

- the potential negative effect on P-Com's stock price if revenue, earnings and cash flow expectations of P-Com following the Acquisition are not met;

- the potential dilutive effect on P-Com's common stock price if revenue and earnings expectations for SPEEDCOM's business operations are not met;

- the ability to successfully manage the combined operations of P-Com and SPEEDCOM given P-Com's limited management resources; and

- the other risks and uncertainties discussed above under "Risk Factors" beginning on page 7.

In view of the variety of factors considered in connection with its evaluation of the Acquisition, the P-Com board of directors did not find it practical to, and did not quantify or otherwise attempt to, assign relative weight to the specific factors considered in reaching its conclusions. Additionally, the P-Com board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, but rather conducted an overall analysis of the factors described above. In considering the factors described above, individual members of the board of directors may have given different weight to different factors. After taking into account all of the factors set forth above, the members of the P-Com board of directors concluded that the Asset Purchase Agreement and the related Acquisition were advisable and in the best interests of, P-Com and its stockholders and that P-Com should proceed with the Acquisition.

Recommendation of P-Com's Board of Directors

After careful consideration, P-Com's board of directors has determined that the Acquisition is in the best interests of P-Com and its stockholders. In order to complete the Acquisition, P-Com's certificate of incorporation must first be amended to increase the number of authorized shares of P-Com common stock. In order to complete the Acquisition, P-Com's board of directors recommends that P-Com stockholders vote FOR the proposal to amend P-Com's certificate of incorporation, as described in the section entitled "P-Com's Proposal to Amend its Certificate of Incorporation" beginning on page 93 of this joint proxy statement.

THE ASSET PURCHASE AGREEMENT

The following is a brief summary of the some of the material terms of the Asset Purchase Agreement. This summary does not purport to be complete, and is qualified in its entirety by reference to the text of the Asset Purchase Agreement, which is attached as Annex A to this joint proxy statement.

Representations and Warranties

The Asset Purchase Agreement contains customary representations and warranties of SPEEDCOM and P-Com relating to, among other things:

- due organization and good standing;
- corporate authorization to enter into the Asset Purchase Agreement, enforceability of the Asset Purchase Agreement, required board of directors and stockholder approvals to complete the Acquisition,
- financial statements;
- documents filed with the SEC;
- absence of material changes or events since March 31, 2003;
- compliance with applicable laws;
- required governmental approvals and filings; and
- payment of fees to brokers, investment bankers, finders or financial advisors in connection with the Asset Purchase Agreement and the Acquisition;

Additional representations and warranties made by P-Com to SPEEDCOM relate to, among other things:

- capitalization;
- valid issuance of P-Com common stock to SPEEDCOM; and
- compliance with material agreements;

Additional representations and warranties made by SPEEDCOM to P-Com relate to, among other things:

- undisclosed liabilities;
- title to properties and assets;
- tax matters;
- product liability;

- title to intellectual property;
- material contracts and commitments;
- labor relations;
- employee benefit matters;
- transactions with interested parties;
- environmental matters;
- accuracy of books and records;
- customers and suppliers; and

- accredited investor status.

Conditions to the Completion of the Acquisition

The obligations of P-Com and SPEEDCOM to complete the Acquisition are subject to the satisfaction or waiver of various conditions on or before the date on which the Acquisition is completed, and include, in addition to other customary closing conditions, the following:

- The stockholders of SPEEDCOM must have approved and adopted the Asset Purchase Agreement, and the P-Com stockholders must have approved and adopted the amendment to P-Com's certificate of incorporation to increase the number of P-Com's authorized shares of common stock;

- The representations and warranties made by the other party must be true as of the date of the Asset Purchase Agreement and as of the date that the Acquisition is completed;

- The other party must have performed or complied with all of the covenants, conditions and other obligations under the Asset Purchase Agreement required to be performed or complied with by it on or before the date of the completion of the Acquisition;

- There must be no pending or threatened lawsuit challenging the Acquisition by any body or agency of any federal, state or local government and the consummation of the Acquisition must not be enjoined by a court of competent jurisdiction as of the date that the Acquisition is completed;

- Each company must have received and approved the form and substance of all certificates, instruments, opinions, and other documents delivered or to be delivered to the other company;

- Each party shall have delivered to the other party an officer's certificate, dated as of the date that the Acquisition is completed, to the effect that all of the conditions to complete the Acquisition have been satisfied;

- P-Com must have consummated an equity financing transaction generating at least $5,000,000 in gross proceeds to P-Com;

- All principal and accrued and unpaid interest on P-Com's 7% Convertible Subordinated Notes due 2005 must have been converted into equity securities of P-Com at a conversion price of at least $.20 per share of common stock; and

- P-Com must have converted all of the convertible promissory notes issued on March 26, 2003, May 18, 2003, and August 5, 2003 in the aggregate face amount of $2,700,000 into shares of P-Com common stock;

The obligation of P-Com to complete the Acquisition is subject to the satisfaction or waiver of the following additional conditions on or before the date on which the Acquisition is completed:

- P-Com must have received all licenses from all appropriate governmental agencies or third parties to operate SPEEDCOM's business in the same manner as SPEEDCOM has operated the business prior to the completion of the Acquisition;

- SPEEDCOM must have delivered to P-Com all required approvals and consents to the Asset Purchase Agreement;

No Solicitation

Subject to the exceptions described below, SPEEDCOM and P-Com agreed that they will not, and will cause their respective directors, officers, employees and representatives not to:

- solicit or encourage the submission of any acquisition proposal relating to that company by any person other than the other party to the Asset Purchase Agreement; or

- participate in any discussions or negotiations with, disclose any information concerning that company, afford any access to the properties, books or records of that company, or otherwise assist, facilitate or encourage, or enter into any agreement or understanding with, any person in connection with an acquisition proposal relating to that company other than the other party to the Asset Purchase Agreement; or

- directly or indirectly make or authorize any statement or recommendation in support of any acquisition proposal relating to that company made by any person other than the other party to the Asset Purchase Agreement.

However, before obtaining stockholder approval of the Asset Purchase Agreement and the Acquisition, SPEEDCOM or P-Com may, to the extent that its board of directors determines in good faith, after consultation with outside legal counsel, that the fiduciary duties of the board of directors under applicable law require it to do so:

- participate in discussions and negotiations regarding an acquisition proposal relating to that company with the person making the acquisition proposal after that person has delivered a written superior proposal; and

- furnish information to the person making the acquisition proposal relating to that company after that person has delivered a written superior proposal.

SPEEDCOM or P-Com may furnish information to the person making the acquisition proposal only if:

- it has first notified the other party of the information to be provided by it to the person making the acquisition proposal;

- it has notified the other party of the acquisition proposal, the terms of the acquisition proposal and the identity of the person making the acquisition proposal; and

- the person making the acquisition proposal has signed a confidentiality agreement in a form approved by the other party to the Asset Purchase Agreement.

In the Asset Purchase Agreement, "acquisition proposal" generally means any proposal relating to any possible acquisition of a company, by merger, purchase of at least 50% of its outstanding shares, purchase of all or substantially all of its assets, or otherwise.

In the Asset Purchase Agreement, "superior proposal" means any unsolicited bona fide acquisition proposal relating to a company by a third party, which the company's board of directors determines, in its good faith reasonable judgment, after consultation with its independent financial advisors, could reasonably be expected to

result in a transaction more favorable to the company's stockholders than the proposed Acquisition and for which financing, to the extent required, is then committed or which, in the good faith reasonable judgment of the board of the company, after consultation with its independent financial advisors, is reasonably capable of being financed by the third party and which is likely to be completed.

If SPEEDCOM or P-Com receives a superior proposal, its board of directors may approve the superior proposal or recommend the superior proposal to its stockholders if the board determines in good faith, after consultation with outside legal counsel, that such action is required by its fiduciary duties under applicable law, and if it does so, it may amend or withdraw its recommendation of the Acquisition. However, if SPEEDCOM's or P-Com's board of directors approves a superior proposal or recommends the superior proposal and either party terminates the Asset Purchase Agreement, provided that the terminating party is not in material breach of the Asset Purchase Agreement, the company whose board of directors approved or recommended the superior proposal must pay the other party a $500,000 termination fee.

Additional Agreements

Registration Rights Agreement

In the Asset Purchase Agreement, P-Com and SPEEDCOM have agreed to enter into a registration rights agreement on the date of completion of the Acquisition. The registration rights agreement will provide SPEEDCOM with the following registration rights:

- SPEEDCOM will have the right to demand the registration of its shares of P-Com common stock, which may be exercised only once, and P-Com will be obligated to keep the registration effective until SPEEDCOM has resold all of its shares of P-Com common stock to the public;

- SPEEDCOM will have the unlimited right to have its shares of P-Com common stock included in registration statements filed by P-Com registering the resale of P-Com common stock held by parties other than SPEEDCOM, subject to customary limitations including a pro rata cutback; and

- when P-Com is eligible to register its common stock for resale using a registration statement on Form S-3, SPEEDCOM will have the right to register the resale of its shares of P-Com common stock pursuant to a registration statement on Form S-3 once in any given 12-month period, provided that the aggregate amount of shares being registered for resale is at least $1,000,000, and subject to other customary limitations.

SPEEDCOM may not exercise any of the foregoing registration rights granted in the registration rights agreement until at least 185 days have passed since the date of execution of the registration rights agreement.

Employment Agreements

P-Com shall extend an offer to employ certain employees of SPEEDCOM, who will be determined by P-Com and SPEEDCOM prior to completing the Acquisition. If these employees of SPEEDCOM accept P-Com's offer of employment, they will be employed on an "at-will" basis following the Acquisition.

No Solicitation of Employees

With the exception of the SPEEDCOM employees to whom P-Com may extend an offer of employment, P-Com may not solicit any of SPEEDCOM's employees.

Termination of the Asset Purchase Agreement

The Asset Purchase Agreement may be terminated and the Acquisition abandoned with the prior authorization of the party's respective board of directors as follows:

- By mutual agreement in writing by P-Com and SPEEDCOM at any time prior to the closing date of the transaction before or after the requisite stockholder approvals;

- By either P-Com or SPEEDCOM, before or after the requisite stockholder approvals, if the closing of the Acquisition does not occur by December 31, 2003 or if any obligation of the terminating party to consummate the Acquisition has become incapable of satisfaction before December 31, 2003 due to a final and non-appealable government order;

- By either P-Com or SPEEDCOM, before or after the requisite stockholder approvals, if the other party materially breaches any of the representations, warranties or covenants set forth in the Asset Purchase Agreement at any time before the closing and such breach cannot be cured within thirty (30) days of the receipt of written notice of such breach, provided that the other party is not in material breach;

- By either P-Com or SPEEDCOM if the party's board of directors enters into or publicly announces its intention to enter into another acquisition agreement, withdraws its recommendation to the stockholders and after receipt of an acquisition proposal, fails to publicly confirm within ten (10) days after the other party's request, its recommendation that the stockholders adopt and approve the Asset Purchase Agreement and the transactions contemplated thereby, or if the party or any of its representatives take any of the actions proscribed in Section 6.9(a) and (b), respectively, of the Asset Purchase Agreement;

- By either party upon delivery of written notice that the requisite approval of SPEEDCOM's stockholders has not been received; or

- By either party upon delivery of written notice that the requisite approval of P-Com's stockholders has not been received.

In the event that the Asset Purchase Agreement is validly terminated by either P-Com or SPEEDCOM as provided by the above bullet points, excepting the third and fourth bullet points, the Asset Purchase Agreement will become void and have no effect with the exception of certain miscellaneous provisions. Upon termination of the Asset Purchase Agreement in accordance with the third and fourth bullet points, the breaching party shall pay the non-breaching party $500,000.

Fees and Expenses

P-Com and SPEEDCOM will each pay its own fees and expenses incurred in connection with the Asset Purchase Agreement.

SPEEDCOM will pay to P-Com a $500,000 termination fee if P-Com terminates the Asset Purchase Agreement because

- of a material breach of the Asset Purchase Agreement by SPEEDCOM;
- SPEEDCOM's board of directors approves an acquisition proposal and withdraws its recommendation of the Acquisition;
- an acquisition proposal remains in effect 60 days prior to December 31, 2003 and SPEEDCOM's stockholders have not approved and adopted the Asset Purchase Agreement and the Acquisition,

P-Com will pay to SPEEDCOM a $500,000 termination fee if SPEEDCOM terminates the Asset Purchase Agreement because

- of a material breach of the Asset Purchase Agreement by P-Com;
- P-Com's board of directors approves an acquisition proposal and withdraws its recommendation of the Acquisition;
- an acquisition proposal remains in effect 60 days prior to December 31, 2003 and P-Com's stockholders have not approved the amendment to P-Com's certificate of incorporation to increase the number of authorized shares of common stock.

P-COM'S BUSINESS

Overview

P-Com develops, manufactures, and markets microwave radios for point-to-point, spread spectrum and point-to-multipoint applications for telecommunications networks worldwide. Cellular and personal communications providers employ P-Com's point-to-point systems for backhaul between remote tower sites and switching centers. Network service providers and Internet service providers are able, through the deployment of P-Com equipment and systems, to respond to the demands for high-speed wireless access services, such as Internet access associated with business-to-business and e-commerce business processes. Through deployment of P-Com's systems, network providers can quickly and efficiently establish integrated Internet, data, voice, and video communications for their customers, then expand and grow those services as demand increases. The wireless broadband networking market is a subset of the global telecommunications, cellular, personal services communications, wireless Internet access, and private network markets. Because of the number of sub-markets for various products globally, reliable market statistics are not readily available.

P-Com's point-to-point, spread spectrum and point-to-multipoint products contributed 71% (2001:74%) and 21% (2001:13%) and 8% (2001:13%) of P-Com's equipment revenue, respectively, in 2002.

Since early 2000, because of a severe industry downturn related to curtailed capital spending by operators and integrators of telecommunications systems globally, P-Com has disposed of non-core businesses, for example Technosystem, Cemetel, Control Resources, RT Masts and P-Com Network Services, Inc., reduced employee headcount sharply, closed non-essential offices, and reduced capital expenditure significantly. Notwithstanding the downturn, P-Com raised $72 million in private equity financings during fiscal years 2000 to 2002. P-Com currently has $5.0 million in availability under a secured line of credit from a commercial bank. P-Com's business has been severely distressed and it has endured the bankruptcy and related loss of revenues and write-offs of its single largest customer in 2001. Short-term demand levels for broadband wireless products such as P-Com's is unclear. However, P-Com believes that should a market turnaround occur, wireless equipment solutions such as those offered by P-Com will continue to be attractive to broadband access providers from a viewpoint of cost efficiency, applications and ease of deployment.

P-Com was organized on August 23, 1991 as a Delaware Corporation.

Industry Background

During the 1990s, the demand for additional multimedia infrastructure, and in particular Internet usage growth, fueled network expansion using both wireline and wireless protocols. Speed, reliability and economies of scale are the key elements inherent in commercially successful networked systems. Broadband wireless access was found to supply an efficient and particularly economical means to meet this growing demand for information transfer. Wireless networks are constructed using microwave radios and other equipment to connect cell sites, wireline and other fixed asset systems. P-Com's broadband wireless products and services are targeted to add value to the integrated service providers and wireless telephone operators globally. P-Com's products are designed to be frequency specific by country if required.

The broadband wireless market developed into two commercially recognized architectures for voice and data transmission: point-to-point and point-to-multipoint. P-Com has developed and sold equipment in commercial quantities for both formats. P-Com does not provide products for wireline sub-sectors of the telecommunications market, including wireline systems and cable systems. Since 2000, system build out has been in a significant slowdown in the United States, Latin America, and European telecommunications markets. Demand for wireless broadband products is currently deeply depressed. P-Com cannot ensure the proliferation of its products or guarantee a given market share of the global telecommunications equipment market in future years. Additionally, there are competing technologies which service the telecommunication sector's hardware demands.

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Broadband Wireless Implementation

Global deregulation of telecommunications markets and the related allocation of radio frequencies for broadband wireless access transmission have spurred competition to supply wireless-based systems as a cost-effective alternative to traditional wireline service delivery systems. Broadband wireless systems are competitive due to the relatively short set up and deployment time, high return on capital investment, and ability to connect customers quickly once the transmission hardware and software infrastructure are in place. Moreover, network operators can mitigate the risk of "stranded capital costs" inherent in wireline hardware. Such systems do not scale as well as the wireless alternatives as user's needs expand or change over time.

End users who need to transport information from one location to another have a choice of wired or wireless solutions. Wired solutions typically take the form of lines that are leased from telephone companies. The associated lease payments tend to be less attractive than the cost of ownership of a wireless digital microwave system. Wireless transmission of voice, data and video traffic has become a desirable alternative to wired solutions due to its advantages in cost, speed of deployment, reliability, range, and ease of installation, especially in developing countries. Incumbent telephone companies also are historically slow to deploy leased lines, especially when the user is a cellular operator who essentially competes directly with them. Wireless digital microwave radios, on the other hand, can be deployed immediately upon receiving location rights. P-Com believes, particularly in a time of stringent capital asset rationalization, the wireless choice will be economical and effective.

Global Privatization and Deregulation: Stimuli to Broadband Wireless Access Growth

In many parts of the world, telecommunications services are inadequate, unreliable or non-existent due to the lack of existing infrastructure. Additionally, many such countries have privatized the state-owned telecommunications monopoly and opened their markets to competitive network service providers. P-Com believes competitive service providers in such markets often find deployment of wireless broadband the quickest, most economical and scalable means of providing reliable, modern telecommunications services.

For the communications service providers of the world to be able to utilize P-Com's wireless broadband systems (including P-Com's point-to-multipoint and point-to-point radio systems), they must own the licenses required to operate the systems. Once the service provider has obtained the license, they must then determine, from a number of competing systems (including non-broadband wireless systems), the one that appears best suited for their particular application.

Network Architecture Bottlenecks

Fiber optic networks have received much attention because of the speed and quality associated with the technology. Increasingly, network service providers are constructing fiber optic interoffice backbones to meet the significant demand created by Internet and data, video conferencing, and voice services. To satisfy the growing user demand for high-speed access, the fiber optic channels would (if not supplemented by other systems) have to extend all the way into the buildings in which the users reside. The fiber optic channel usually ends short of the building, at the beginning of the "last mile." Thus, users are often forced to use slower dial-up modem connections and ISDN (Integrated Services Digital Network) services, or ADSL (Asymmetrical Digital Subscriber Line) service, with its inherent distance limitations. This local access "bottleneck" denies users the real benefits afforded by fiber optic backbones because the highest speed that users can experience is that of the local access portion of their end-to-end connection. To overcome such limitations in a quick and efficient manner, P-Com believes a broadband wireless solution is attractive to incumbent and competitive carriers alike because the local access speed restrictions are not an issue with broadband wireless equipment.

The P-Com Strategy

P-Com's goal is to be the leading worldwide supplier of high-performance point-to-point, spread spectrum and point-to-multipoint wireless access equipment. P-Com's strategy to accomplish this objective is to:

- o Focus on point-to-point, spread spectrum and point-to-multipoint microwave markets. P-Com designs products specifically for the millimeter wave (licensed) and spread spectrum (unlicensed) microwave frequency bands. P-Com has designed P-Com's core architecture to optimize the systems for operation at millimeter and microwave frequencies.

- o Continue expansion of P-Com's identified global market opportunities. P-Com has met the standards established by the European Telecommunications Standards Institute ("ETSI") and achieved regulatory approval for P-Com systems in Argentina, Australia, Austria, Brazil, Canada, China, the Czech Republic, Latvia, France, Germany, Greece, Hungary, Italy, Japan, Jordan, Mexico, Saudi Arabia, Spain, and the United Kingdom, as well as the United States. P-Com continues to seek to obtain type approval in other countries as the markets develop and the need arises. P-Com maintains international sales and/or support offices in Italy, China, Singapore and the United Kingdom.

- o Build and sustain manufacturing cost advantage. P-Com has designed its system architecture to reduce the number of components incorporated into each system, and to permit the use of common components and "building blocks" across the range of P-Com products. This approach assists in manufacturing cost reduction through volume component purchases and enabling a standardized manufacturing process. Utilization of turnkey contract manufacturers eliminates expensive in-house manufacturing assembly, and provides ability to scale up or down as market conditions dictate.

- o Exploit engineering synergies. Due to similarities among P-Com's product lines, P-Com has created new design architectures that strive to obtain commonality in different products. This approach reduces manufacturing costs and affords improved time to market and feature sets.

- o Maximize P-Com's customers' revenue. One of the main objectives of the access providers who buy broadband wireless products from P-Com or P-Com's competitors is the establishment of an access system that enables them to derive from their allocated frequency bandwidth the maximum amount of revenue-producing traffic, also known as "throughput." The greater the "throughput" capability of a wireless broadband system, the greater the access provider's revenue production potential. Because P-Com's products are scaleable, users can quickly maximize throughput-utilizing software alone to meet network demands. This allows network operators to make optimum use of their allocated frequency bandwidth, thus maximizing revenue.

- o Leverage and maintain software leadership. P-Com differentiates its systems through proprietary software embedded in the Indoor Unit, Outdoor Unit, and in the Windows and SNMP-based software tools. This software is designed to allow P-Com to deliver to its customers a high level of functionality that can be easily reconfigured by the customer to meet changing needs. Software tools are also used to facilitate network management.

Range of Product Choices

P-Com offers access providers around the world a range of wireless systems that encompass point-to-multipoint wireless broadband, point-to-point wireless broadband, and spread spectrum systems, with each product targeting a specific market.

Point-to-point wireless broadband systems are typically deployed by cellular operators for wireless cellular interconnect and backhaul. Cellular interconnect comprises any of the wireless connections between a Base Station Transceiver, Base Station Controller, and Mobile Switching Center. Backhaul, or the transport of cellular traffic between mobile wireless towers and the mobile switching office on cellular phone networks, is a typical application for point-to-point equipment.

Point-to-point wireless broadband is a dedicated link wireless technology enabling voice and data services between a subscriber and the network. For each new subscriber using this service, the network service provider provides a separate set of dedicated access equipment. As mobile service usage continues to grow, cellular service providers will have to continue to scale down existing cells into smaller ones to reuse precious spectrum. With each such division of cells comes opportunity for new wireless point-to-point applications because of the need for more backhauls.

Spread spectrum radios are license-free, that is it does not require the Federal Communication Commission's approval (or other regulatory body in foreign countries) before P-Com equipment is deployed, and they are generally less expensive than licensed products. They are sold through Value Added Resellers and system integrators for private and public networks, providing last-mile wireless connectivity.

Internet service providers and system operators typically use point-to-multipoint where bandwidth availability is critical to profitable system operation. Point-to-multipoint broadband wireless service is a wireless technology that provides the high-speed access service. This service is drawing interest because it can be rapidly deployed; it is highly efficient, reliable and scalable; it is cost effective because it can serve many subscribers from one hub; and it can be expanded as demand for service dictates. Nonetheless, the traditional system providers' build out approach has resulted in P-Com's and its competitors' point-to-multipoint products only gradually gaining market share in the wireless broadband market.

Access providers determine from studies of their market whether to provide a point-to-multipoint or point-to-point system or a combination of both, to best meet their business plan objectives. Additionally, access providers determine if Frequency Division Multiple Access ("FDMA") or Time Division Multiple Access ("TDMA") mode, or a combination of both, best satisfies their engineering requirements. Although TDMA appears to offer the most cost effective use of bandwidth, FDMA has the advantage of being easier to deploy and allows providers to guarantee higher quality service levels to their customers.

To complete P-Com's product portfolio, P-Com has original equipment manufacturer agreements with fSona Communications Corporation and Microwave Networks, Inc. for two additional products. fSona provides an unlicensed Free Space Optics radio, which uses advanced line-of-sight wireless laser communications technology to enable secure, high-speed connections from 155 to 1500 Megabits per second ("Mbps"). Microwave Networks, Inc. provides a private labeled version of their 155 Mbps SDH (Synchronous Digital Hierarchy) radio that is available in many frequencies including 18, 23, 26 and 38 GHz.

The greater the number of frequencies provided for by the wireless broadband manufacturer, the greater the manufacturer's potential market penetration. P-Com's systems utilize a common architecture in the millimeter wave and spread spectrum microwave frequencies, including 2.4 GHz, 5.7 GHz, 7 GHz, 13 GHz, 14 GHz, 15 GHz, 18 GHz, 23 GHz, 24 GHz, 26 GHz, 28 GHz, 31 GHz, 38 GHz and 50 GHz.

P-Com provides both point-to-multipoint and point-to-point systems in a broad range of frequencies. P-Com's competitors generally provide either point-to-multipoint or point-to-point, but seldom both. By providing such a broad range of design options and a network management system that is common across all P-Com radio systems, P-Com gives broadband wireless service providers more design latitudes than those available from many competing systems and enable providers to tailor their equipment mix purchases to help maximize their "throughput." In addition, P-Com's relatively broad range of product offerings tends to cushion P-Com against the risk that a particular frequency or standard might, for whatever reason, come to dominate all marketplace alternatives, or be mandatory for a particular country or project.

Certain limitations are common to all wireless broadband systems like those provided by P-Com. Among the more common of these limitations are the requirements for line-of-sight between the hubs and the remote sites; spacing between the hubs and the remote stations; signal transmit/receive power level interference; poor performance if there is improper antenna alignment; and adjacent cell interference due to improper power levels. Professional execution of installation, path and site commissioning are mandatory for a reliable network.

Technology

P-Com's technological approach to point-to-multipoint, point-to-point, and spread spectrum digital microwave radio systems is, in P-Com's opinion, meaningfully different from conventional approaches. Through the use of proprietary designs, P-Com can quickly produce highly integrated, feature-rich systems. The results of these integrated designs are reliability, ability to customize customer specific designs and continuing ability to be cost competitive, particularly in the current market.

P-Com's products are optimized for streamlined components, immunity to noise and interference, ease of high-volume manufacturing and installation. Yet P-Com's radios contain superior features. Equally important, because critical components and building blocks perform common functions across different product lines, P-Com's design philosophy is to design sections of each radio in a way that enable the designs to be reused with little or no modification in a different product line.

P-Com's point-to-point and spread spectrum microwave radios consist of three primary assemblies: the Indoor Unit, the Outdoor Unit and the antenna. The Indoor Unit houses the digital signal processing and the interfaces to the

Outdoor Unit via a single coaxial cable. The Outdoor Unit, a radio frequency drum or enclosure, which is installed outdoors, establishes the specific frequencies for transmitting and receiving data. The antenna interfaces directly to the Outdoor Unit via proprietary P-Com technology.

Software embedded in P-Com's systems allows the user to easily configure and adjust system settings such as frequency, power, and capacity without manual tuning and mechanical adjustments. Software provided with P-Com's systems includes PC-based sophisticated diagnostics, maintenance, network management, and system configuration tools.

Competing systems also employ the Indoor Unit/Outdoor Unit concept but P-Com's products are differentiated by how P-Com implements the components within the Indoor Unit and Outdoor Unit. By moving many frequency-sensitive components to the Outdoor Unit, the user is afforded improved reliability, lower cost and easier interchangeability.

P-Com believes that its spread spectrum products are industry leaders, especially with P-Com's latest product release line of AirPro Gold (TM). AirPro Gold represents P-Com's latest generation of license-free spread spectrum radios that address many markets including wireless Internet and the voice and data or E1 market. Rather than develop separate products for each market and application, P-Com created a single radio architecture that offers that ability to rapidly and reliably change the interface of the radio depending on the application. By inserting a series of plug-in modules, the radio interface can be changed to connect to different types of services. The simplest model, AirPro Gold.Net, offers wireless Internet connectivity via an ethernet port to address the wireless Internet and Hotspot markets. The voice and data market requires a different network interface to connect to the network. By simply installing a plug-in module, AirPro Gold.Net is transformed into a completely different product, AirPro Gold E1. Thus the functionality is changed from a wireless Internet radio to a 4 Mbps or E1 point-to-point radio. Additional advantages of this architecture are simplified stocking and the ability to change the radio interface as dictated by customer requirements. No other broadband wireless radio company at present offers such diverse functionality.

P-Com's third product line, point-to-multipoint, is composed of base station equipment transmitting to many remote terminals within a certain radius or sector. This "downlink" carries data packets known as Asynchronous Transfer Mode cells over the link, which allow many different media to be supported, including voice, data, fax, IP, Frame Relay, 10 BaseT, and many other services. The return, or up-link from the Remote to the Base Station, can operate in either FDMA or TDMA mode.

FDMA uses one or more discrete radio channels with constant throughput; similar to ordinary telephone lines in that the channel is occupied and consumes the same bandwidth whether a voice conversation is occurring or not. FDMA's advantage is that the connection is always available. However, keeping the channel occupied whether traffic is present is inefficient. TDMA addresses the issue of channel efficiency by dynamically assigning bandwidth only when it is needed. P-Com's point-to-multipoint system is the only solution to offer simultaneous FDMA and TDMA operation. It is not yet clear which will be the eventual dominant technology either throughout the world or in specific geographic regions. As a result, P-Com has elected to offer a greater versatility for the customer and higher levels of network flexibility by allowing both FDMA and TDMA to be simultaneously deployed within a sector thus providing the network access operator the flexibility to design the network to uniquely match the specific traffic profiles within individual sectors.

The range of the point-to-multipoint system is determined by many factors, the most significant aspect of which is the modulation mode. P-Com's point-to-multipoint system employs a sophisticated software-selectable modulation technique called quadrature amplitude modulation, which can operate in any of three levels: 4, 16 and 64 level quadrature amplitude modulation. The highest level, 64 quadrature amplitude modulation, offers the highest throughput but shortest range, contrasted by 4 quadrature amplitude modulation that offers the longest range but lower throughput. This beneficial feature of software selectable modulation offers the network operator the ability to tailor the system for optimum range or optimum throughput. This provides the network provider with the capability to best match the capacity load of the customer base and to optimally use the available spectrum.

The modular design of this point-to-multipoint system allows the user to start with a low capacity installation, and then by adding expansion cards into the sector Indoor Unit, increase the overall throughput, and hence capacity, within the sector. This is achieved without the duplication of any of the more expensive microwave Outdoor Unit equipment.

Services

On April 30, 2003, P-Com entered into an Asset Purchase Agreement with JKB Global, LLC to sell certain assets of P-Com Network Services, Inc., P-Com's discontinued service business. The total cash consideration was approximately $105,000, plus the assumption of certain liabilities. The sale of P-Com Network Services, Inc. was consummated on April 30, 2003.

Manufacturing and Testing

P-Com's Campbell, California facility received its initial ISO 9001 registration in December 1993, and maintains a current certification. P-Com's ISO 9001 registration for the United Kingdom sales and customer support facility was received in 1996 and it has current certifications; P-Com's ISO 9001 registration for the Tortona facility in Italy was first received in 1996 and it has current certification. P-Com's production facility in Melbourne, Florida was ISO 9001 certified in 1999. On December 15, 2003, ISO requires all holders of ISO 9001:1994 to upgrade to ISO 9001:2000. If P-Com is unsuccessful in its efforts to upgrade to ISO 9001:2000, its ability to secure purchase orders for its products may be adversely affected. Once a system reaches commercial status, P-Com contracts with one or more of several turnkey fabricators to build radio system units in commercial quantities. Utilization of such fabricators relieves P-Com of expensive investments in manufacturing facilities, equipment, and parts inventories. This strategy enables P-Com to quickly scale to meet varying customer demands and changes in technology.

P-Com tests and manufactures systems in P-Com's California, Italy and Florida locations prior to shipment to its customers. Testing includes the complete Indoor-Outdoor unit assembly, thereby providing customers with a completely tested end-to-end system.

P-Com's designs make every effort to use components that are readily available from multiple sources, but in some cases, components that are single source or sole source must be used. Most manufacturers provide P-Com with advanced notice of the discontinuation of a device, but in the current depressed economy some manufacturers have discontinued components with little or no notice. When components are discontinued it may cause a significant expense to redevelop a replacement component and may even disrupt the flow of products from P-Com's manufacturing facilities.

Sales Channels and P-Com Customers

P-Com's wireless access systems are sold internationally and domestically directly through its own sales force as well as through strategic partners, distributors, systems providers, and original equipment manufacturers.

P-Com's customers include:

Customer	Percentage of Revenue
Myntahl Corporation	14%
Orange Personal Communications System	11%
Vodafone (Mannesmann)	7%

During 2002, sales to Myntahl Corporation and Orange Personal Communications System accounted for 14% and 11% of P-Com's total sales, respectively. P-Com expects that sales to a relatively small number of customers will continue to account for a high percentage of its sales in the foreseeable future. Although the composition of P-Com's largest customer group may vary from period to period, the loss of a significant customer or a major reduction in orders by any significant customer, through reductions due to market, economic or competitive conditions in the telecommunications industry, may adversely affect its business, financial condition, and results of operations. While P-Com generally enters into written agreements with its major customers, P-Com generally does not provide for minimum purchase commitments. P-Com's ability to maintain or increase its sales in the future will depend, in part, upon its ability to obtain orders from new customers as well as the financial condition and success of P-Com customers, and the economy in general.

P-Com's product sales segment is located primarily in the United States, with manufacturing and/or sales support operations in Italy, the United Kingdom, Singapore, and China. P-Com develops, manufactures and/or market networks access systems for use in the worldwide wireless telecommunications market.

P-Com's backlog was approximately $2.9 million as of December 31, 2002, as compared to approximately $5.9 million as of December 31, 2001. The decrease was due to continuing worldwide recession in capital spending within the telecommunications industry and lack of forecast clarity from continuing customers. P-Com includes in backlog only those firm customer commitments to be shipped within the following twelve months. A significant portion of P-Com's backlog scheduled for shipment in the twelve months following December 31, 2002 can be cancelled, since orders are often made substantially in advance of shipment, and most of P-Com's contracts provide that orders may be cancelled with limited or no penalties for a specified period before shipment. Therefore, backlog is not necessarily indicative of future sales for any particular period.

Research and Development

P-Com has a continuing research and development program to enhance its existing systems and related software tools and to introduce new systems. P-Com invested approximately $12.7 million, $19.8 million and $20.2 million in 2002, 2001, and 2000, respectively, in research and development efforts and expects to continue to invest material resources in research and development to maintain superior features creating value for many customers.

P-Com's research and development efforts can be classified into two distinct efforts: (1) increasing the functionality of its point-to-point, point-to-multipoint and spread spectrum radio systems under development by adding additional frequencies and capacities to its product lineup, its network management system software offering, and developing other advancements to radio systems, and (2) integrating new functionality to extend the reach of its products into the customers' networks, such as access technology which allows the customer to manage telecommunications services at its site and to integrate voice, data, video and facsimile in one offering. P-Com's current efforts may not result in new product introductions or material modifications to existing products. The wireless telecommunications market is subject to rapid technological change, frequent new product introductions and enhancements, product obsolescence, changes in end-user requirements and evolving industry standards globally.

P-Com's ability to be competitive in this market will depend in significant part upon its ability to successfully develop, introduce, and sell new systems and enhancements and related software tools on a timely and cost effective basis that respond to changing customer requirements. P-Com has experienced and may continue to experience delays from time to time in completing development and introduction of new systems, and enhancements for related software tools. P-Com has in place a Product Qualification / Quality Assurance structure that ensures product acceptance in the marketplace before and after commencement of commercial shipments.

Sales and Marketing

P-Com's sales and marketing efforts are directed from P-Com's corporate offices in Campbell, California. P-Com has sales operations and customer support facilities in the United Kingdom and Italy that serve the European market, and in China and Singapore for Asian markets. Internationally, P-Com uses a variety of sales channels, including system providers, original equipment manufacturers, dealers, and local agents. P-Com also sells directly to its customers. P-Com has established agent relationships in numerous other countries in the Asia/Pacific region, the Middle East, Latin America, and Europe.

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Typically, P-Com's sales process commences with the solicitation of bids by prospective customers. If selected to proceed further, P-Com may provide systems for incorporation into system trials, or P-Com may proceed directly to contract negotiations. When system trials are required and successfully completed, P-Com then negotiates a contract with the customer to set technical and commercial terms of sale. These terms of sale govern the purchase orders issued by the customer as the network is deployed and/or enhanced.

P-Com believes that, due to the complexity of its radio systems, a high level of technical sophistication is required on the part of P-Com's sales and marketing personnel. In addition, P-Com believes that after-sale customer service programs are fundamental to customer satisfaction and the potential for follow-on business. New customers are provided engineering assistance for installation of the initial units as well as varying degrees of field training depending upon the customer's technical aptitude. All customers are provided telephone support via a 24-hour customer service help desk. P-Com's customer service efforts are supplemented by P-Com system providers.

Competition

The worldwide wireless communications market is very competitive. P-Com's wireless radio systems compete with other wireless telecommunications products and alternative telecommunications transmission media, including copper and fiber optic cable. P-Com has experienced competition worldwide from a number of leading telecommunications companies that offer a variety of competitive products and services, including Alcatel Network Systems, Alvarion, Stratex Communication Systems Networks, Ericsson, Harris-Farinon Division, NEC, Nokia, Nortel, SIAE, Hughes Network Systems and Proxim. Many of these companies have substantially greater installed bases, financial resources and production, marketing, manufacturing, engineering and other capabilities than P-Com. P-Com faces actual and potential competition not only from these established companies, but also from start-up companies that are developing and marketing new commercial products and services, such as Digital Subscriber Line ("DSL").

P-Com may also face competition in the future from new market entrants offering competing technologies. P-Com's results of operations may depend in part upon the extent to which customers who choose to rely on wireless strategies, elect to purchase from outside sources rather than develop and manufacture their own radio systems. Customers may choose not to rely on, or expand, their reliance on P-Com as an external source of supply for their radio systems. Recently, some of P-Com's competitors have announced the introduction of competitive products, including related software tools, and the acquisition of other competitors and competitive technologies.

Competition is especially intense during the current period of depressed demand for telecommunications infrastructure equipment. P-Com expects its competitors to continue to improve the performance and lower the price of their current products, and to introduce new products or new technologies that provide added functionality and other features. New product introductions and enhancements by P-Com's competitors prior to its introduction of competing technology could cause a significant decline in sales or loss of market acceptance of P-Com systems or intense price competition, or make P-Com systems or technologies obsolete or noncompetitive. P-Com has experienced significant price competition and expects price competition to intensify in view of the current market downturn. This may adversely affect P-Com's gross margins and business, financial condition and results of operations. P-Com believes that its ability to continue to compete successfully is based on factors both within and outside of P-Com's control. Timing of new product line introductions, performance characteristics of P-Com's equipment and the ability of P-Com's own customers to be successful all play key roles. P-Com will continue to be required to expend significant resources on new product development, cost reduction and enhancements.

The principal elements of competition in P-Com's market, and the basis upon which customers may select P-Com's systems, include price, performance, software functionality, and ability to meet delivery requirements and customer service and support.

Government Regulation

Radio telecommunications are subject to extensive regulation by the United States and foreign governmental agencies and international treaties. P-Com's systems must conform to a variety of domestic and international requirements established to, among other things, avoid interference among users of radio frequencies and to permit interconnection of equipment. Each country has a different regulatory process. Historically, in many developed countries, the limited availability of frequency spectrum has inhibited growth of wireless telecommunications networks.

In order for P-Com to operate within a specific country's jurisdiction, P-Com must obtain regulatory approval for its systems and comply with different regulations in each jurisdiction. Regulatory bodies worldwide are continuing the process of adopting new standards for wireless telecommunications products. The delays inherent in this governmental approval process may cause the cancellation, postponement or rescheduling of the installation of communications systems by P-Com and its customers, which in turn may have prevented or delayed the sale of systems by P-Com to such customers.

The failure to comply with current or future regulations or changes in the interpretation of existing regulations could result in suspension or cessation of operations in that particular jurisdiction. These regulations and changes could require P-Com to modify its products and incur substantial costs and delays to comply with these time-consuming regulations and changes. In addition, P-Com is also affected by the regulation, allocation and auction of radio frequency spectrum by domestic and international authorities. Equipment to support new services can be marketed only if permitted by suitable frequency allocations, auctions and regulations, and the process of establishing new regulations is complex and lengthy. If personal communications service operators and others are delayed in deploying their systems, P-Com could experience delays in orders for its products. Failure by the regulatory authorities to allocate suitable frequency spectrum could adversely affect P-Com's business, financial condition and results of operations.

The regulatory environment in which P-Com operates is subject to significant change. Regulatory changes, which are affected by political, economic and technical factors, could significantly impact P-Com's operations by restricting the development efforts of its customers, making current systems obsolete or increasing the opportunity for additional competition. Any of these regulatory changes, including changes in the allocation of available spectrum, could adversely affect P-Com's business and results of operations. P-Com might deem it necessary or advisable to modify its systems to operate in compliance with applicable regulations. These modifications could be extremely expensive and time consuming.

Intellectual Property

P-Com relies on its ability to obtain and enforce combination of patents, trademarks, trade secrets, copyrights, and a variety of other measures to protect P-Com's intellectual property rights. P-Com currently holds fourteen United States patents and six Unites States copyrights on software. P-Com generally enters into confidentiality and nondisclosure agreements with service providers, customers and others, and to limit access to and distribution of P-Com's proprietary technology. P-Com also enters into software license agreements with its customers and others. However, these measures may not provide adequate protection for P-Com's trade secrets and other proprietary information. Disputes over the ownership of P-Com's intellectual property rights may still arise and P-Com's trade secrets and proprietary technology may otherwise become known or be independently developed by competitors. Any patent owned by P-Com may be invalidated, circumvented or challenged, the rights granted thereunder may not provide competitive advantages to P-Com or any of P-Com's pending or future patent applications may not be issued with the scope of the claims sought by P-Com, if at all. Furthermore, others may develop similar products or software, duplicate P-Com's products or software or design around the patents owned by P-Com, or third parties may assert intellectual property infringement claims against P-Com. In addition, foreign intellectual property laws may not adequately protect P-Com's intellectual property rights abroad. Failure to protect P-Com's proprietary rights could adversely affect P-Com's business, financial condition, and results of operations.

Litigation may be necessary to enforce P-Com's patents, copyrights, and other intellectual property rights, to protect P-Com's trade secrets, to determine the validity of and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. This litigation could result in substantial costs and diversion of

resources and could adversely affect P-Com's business, financial condition and results of operations regardless of the outcome of the litigation. Infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification resulting from infringement claims may be asserted in the future and these assertions may adversely affect P-Com's business, financial condition, and results of operations. If any claims or actions are asserted against P-Com, P-Com may seek to obtain a license under a third party's intellectual property rights. However, a license may not be available under reasonable terms or at all. In addition, if P-Com decides to litigate these claims, the litigation could be extremely expensive and time consuming and could adversely affect P-Com's business, financial condition and results of operations, regardless of the outcome of the litigation.

Employees

As of September 2, 2003, P-Com and its subsidiaries employed a total of 135 employees, including 71 in Operations, 23 in Research and Development, 22 in Sales and Marketing and 19 in Administration. P-Com believes that future results of operations will depend in large part on its ability to attract and retain highly skilled employees. None of P-Com's employees are represented by a labor union, and P-Com has not experienced any work stoppages to date. P-Com Germany employed 15 prior to its closure in July 2001. RT Masts employed 170 before it was sold in February 2001.

Properties

Location of Lease Facility (1)	Functions	Square Footage	Date L
Headquarters, Campbell, CA	Administration/Customer Support/Sales/Engineering; Manufacturer	61,000	
Campbell, CA (2)	Manufacturing/Research	30,000	
Redditch, England (3)	Sales/Customer Support	5,500	S
Watford, England	Research/Development	7,500	
Redditch, England	Warehouse	6,800	S
Dulles, VA (4)	Administration	8,750	S
Sterling, VA (5)	Sales/Customer Support/Warehouse	15,000	S
Phoenix, AZ (6)	Services	2,540	
Melbourne, FL (7)	Research/Development	8,697	
Beijing, China	Sales/Customer Support	3,180	
Singapore	Sales/Customer Support	560	

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(1) All locations support product sales except Phoenix, AZ, Sterling, VA, and

Dulles, VA, which support services sales.

(2) Facility was closed in February 2003, and by agreement with the landlord, the lease terminated on July 28, 2003.

(3) Facility was closed in April 2002, and by agreement with the landlord, the lease was terminated in September 2003.

(4) Facility was closed in February 2003. P-Com and the landlord have entered into negotiations to terminate the lease.

(5) Facility was occupied by P-Com Network Services, Inc. until June 2003. By agreement with the landlord, the lease was terminated on September 1, 2003.

(6) Facility was closed upon expiration of the lease.

(7) This facility's lease was amended in April 2003, reducing the square footage from 22,225 to 8,697 square feet.

P-Com Italia, S.p.A., owns and maintains its corporate headquarters in Tortona, Italy. This facility, consisting of approximately 36,000 square feet, provides design, test, manufacturing, mechanical, and warehouse functions.

Legal Proceedings

On June 20, 2003, Agilent Financial Services, Inc. filed a complaint against P-Com for Breach of Lease, Claim and Delivery and Account Stated, in the Superior Court of the State of California, County of Santa Clara. The amount claimed in the complaint is $2,512,509, and represents accelerated amounts due under the terms of capitalized equipment leases of P-Com. On June 27, 2003, the parties filed a Stipulation for Entry of Judgment and Proposed Order of Dismissal of Action Without Prejudice. Under the terms of the Stipulation, P-Com paid Agilent $50,000 on July 15, 2003, and is obligated to pay it $100,000 on September 1, 2003, and monthly payments of $50,000 for fourteen months, from October 1, 2003, up to and including November 1, 2004, and $1,725,000 on December 1, 2004. As a result of the Stipulation, judgment under the Complaint will not be entered unless and until P-Com defaults under the terms of the Stipulation. In the event P-Com satisfies each of its payment obligations under the terms of the Stipulation, the complaint will be dismissed, with prejudice.

On April 4, 2003, Christine Schubert, Chapter 7 Trustee for Winstar Communications, Inc. et al, filed a Motion to Avoid and Recover Transfers Pursuant to 11 U.S.C. ss.ss. 547 and 550, in the United States Bankruptcy Court for the District of Delaware and served the Summons and Notice on July 22, 2003. The amount of the alleged preferential transfers to P-Com is approximately $13.7 million. P-Com has reviewed the Motion and believes that the payments made by Winstar Communications, Inc. are not voidable preference payments under the United States Bankruptcy Code.

Other than the amounts claimed by Christine Schubert, Chapter 7 Trustee for Winstar Communications, Inc., the amount of ultimate liability with respect to each of the currently pending actions is less than 10% of P-Com's current assets. In the event P-Com is unable to satisfactorily resolve these and other proceedings that arise from time to time, its financial position and results of operations may be materially affected.

Market Price and Dividend Information

P-Com's common stock was quoted in the NASDAQ National Market under the symbol PCOM, until August 26, 2002. Due to P-Com's failure to meet certain listing requirements, including a minimum bid price of $1.00 per share, NASDAQ moved P-Com's stock listing from the NASDAQ National Market to the NASDAQ Small

Cap Market, effective August 27, 2002. Additionally, NASDAQ notified P-Com that, subject to maintaining compliance with the various rules necessary for continued listing on the NASDAQ Small Cap Market, P-Com's stock could be delisted from the NASDAQ Small Cap Market unless it reached and maintained the minimum $1 bid price for a period of 10 consecutive days by February 10, 2003. P-Com did not meet this minimum bid price requirement, and effective March 10, 2003, P-Com's common stock was delisted from the Small Cap Market and now trades on the OTC Bulletin Board operated by the National Association of Securities Dealers, Inc. This change could result in a less liquid market available for existing and potential stockholders to trade shares of P-Com's common stock and could ultimately further depress the trading price of its common stock.

In addition, P-Com's common stock is subject to the SEC's "penny stock" regulation. For transactions covered by this regulation, broker-dealers must make a special suitability determination for the purchase of the securities and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, the rules generally require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer is also subject to additional sales practice requirements. Consequently the penny stock rules may restrict the ability of broker-dealers to sell P-Com's common stock and may affect the ability of holders to sell the common stock in the secondary market, and the price at which a holder can sell the common stock.

The following table sets forth the range of high and low sale prices, as reported on the NASDAQ National Market, NASDAQ Small Cap Market and OTC Bulletin Board for the first and second quarters of 2003 and each quarter in 2002 and 2001. These quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

As of August 21, 2003, there were 586 holders of record of P-Com common stock.

	Price Range of Common Stock	
	High	Low
2001:		
First Quarter	$ 1.10	$ 0.25
Second Quarter	0.30	0.11
Third Quarter	0.14	0.05
Fourth Quarter	0.08	0.03
2002:		
First Quarter	$ 0.37	$ 0.13
Second Quarter	0.36	0.09
Third Quarter	0.82	0.19
Fourth Quarter	0.38	0.15
2003:		
First Quarter	$ 0.31	$ 0.09
Second Quarter	$ 0.13	$ 0.06
Third Quarter	$ 0.34	$ 0.09

Dividends

To date, P-Com has not paid any cash dividends on shares of its common stock. P-Com currently anticipates that it will retain any available funds for use in the operation of its business, and does not anticipate paying any cash dividends in the foreseeable future.

P-Com's Quantitative and Qualitative Disclosures About Market Risk

P-Com has international sales and facilities and is, therefore, subject to foreign currency rate exposure. Historically, P-Com's international sales have been denominated in British pounds sterling, Euros, and United States dollars. The functional currencies of P-Com's wholly owned foreign subsidiaries are the local currencies. Assets and liabilities of these subsidiaries are translated into United States dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Accumulated net translation adjustments are recorded in stockholders' equity. Foreign exchange transaction gains and losses are included in the results of operations, and were not material for all periods presented. Based on P-Com's overall currency rate exposure at June 30, 2003, a near-term 10% appreciation or depreciation of the United States dollar would have an insignificant effect on P-Com's financial position, results of operations and cash flows over the next fiscal year. P-Com does not use derivative financial instruments for speculative or trading purposes.

The estimated fair value of P-Com's fixed rate convertible subordinated notes is approximately 30% of par, or $6.6 million at June 30, 2003. The estimates of fair value will vary over time depending on P-Com's financial condition and expected future cash flows.

Interest Rate Risk

P-Com's outstanding notes bear interest at fixed rates. Although fluctuating interest rate changes over a short period would not affect P-Com's results of operations relating to the debt, P-Com may need to reschedule issued debt in the future at high interest rates, or at rate structures that expose it to interest rate risk, as had happened on November 1, 2002, when $22.4 million of P-Com's outstanding 4.25% convertible notes were exchanged for three-year convertible notes bearing interest at an annual rate of 7%. P-Com further has an outstanding $202,000 promissory note, which now bears interest at 9% per annum, instead of its original rate of 7% per annum, as the note has remained unpaid since its maturity date of May 1, 2003. In addition, P-Com has $1.8 million of outstanding convertible promissory notes that bear interest at 10% per annum, and the rate will increase to 13% per annum if they remain outstanding six months after their dates of issuance. Interest earned on P-Com's cash balances is not material.

P-COM'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

P-Com's management's discussion and analysis of financial condition and results of operations contain forward-looking statements, which involve risks and uncertainties. P-Com's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the section entitled "Risk Factors" beginning on page 7 of this joint proxy statement.

Overview

P-Com supplies broadband wireless equipment and services for use in telecommunications networks. Currently, P-Com ships 2.4 GHz and 5.7 GHz spread spectrum (unlicensed) radio systems, as well as 7 GHz, 13 GHz, 14 GHz, 15 GHz, 18 GHz, 23 GHz, 26 GHz, 38 GHz and 50 GHz point-to-point radio systems. P-Com's performance in 2002 continued to be impacted by the capital expenditure level reductions maintained by the telecommunications industry in the United States and globally. The net loss in 2002 included inventory related charges to product costs of sales of $5.8 million, and a goodwill impairment write-off of $16.9 million related to the carrying value of P-Com's services business subsidiary, arising from P-Com's adoption of Financial Accounting Standard ("FAS") 142. P-Com implemented cost reduction programs, including a headcount reduction of approximately 186 employees or 48% compared to previous year's headcount and termination of facility leases. These cost reductions were insufficient to offset the impact of the reduction in revenue and continued low gross profit margins in a depressed industry.

In the first quarter of 2003, P-Com decided to exit the services business. Accordingly, this business is reported as a discontinued operation and P-Com recorded losses from its operations for the year ended December 31, 2002, 2001, and 2000.

Critical Accounting Policies

Management's discussion and analysis of P-Com's financial condition and results of operations are based upon P-Com's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires P-Com to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, P-Com evaluates its estimates. P-Com bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

P-Com believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

Management's use of estimates and assumptions

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and such differences could be material and affect the results of operations reported in future periods.

Fair value of financial instruments

P-Com measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States. The estimated fair value of P-Com's Convertible Subordinated Notes due 2005 was approximately 30% of par or $6.0 million at June 30, 2003 and $6.7 million at December 31, 2002. The estimated fair value of cash, accounts receivable and payable, bank loans and accrued liabilities at June 30, 2003 and December 31, 2002 approximated cost due to the short maturity of these assets and liabilities.

Revenue Recognition

Revenue from product sales is recognized upon transfer of title and risk of loss, which is upon shipment of the product, provided no significant obligations remain and collection is probable. Provisions for estimated warranty repairs, returns and other allowances are recorded at the time revenue is recognized.

Allowance for Doubtful Accounts

P-Com maintains an allowance for doubtful accounts for estimated losses from the inability of its customers to make required payments. P-Com evaluates its allowance for doubtful accounts based on the aging of its accounts receivable, the financial condition of its customers and their payment history, P-Com's historical write-off experience and other assumptions. In order to limit its credit exposure, P-Com requires irrevocable letters of credit and even prepayment from certain of its customers before commencing production.

Inventory

Inventory is stated at the lower of cost or market, cost being determined on a first-in, first-out basis. P-Com assesses its inventory carrying value and reduces it if necessary, to its net realizable value based on customer orders on hand, and internal demand forecasts using management's best estimate given the information currently available. Demand from P-Com's customers is highly unpredictable, and can fluctuate significantly as a result of factors beyond P-Com's control. P-Com's inventories include parts and components that are specialized in nature or subject to rapid technological obsolescence. P-Com maintains an allowance for inventories for potentially excess and obsolete inventories and gross inventory levels that are carried at costs that are higher than their market values. If P-Com determines that market conditions are less favorable than those projected by management, such as an unanticipated decline in demand not meeting its expectations, additional inventory write-downs may be required.

Property and Equipment

Property and equipment are stated at cost and include tooling and test equipment, computer equipment, furniture, land and buildings, and construction-in-progress. Depreciation is computed using the straight-line method based upon the useful lives of the assets ranging from three to seven years, and in the case of buildings, 33 years. Leasehold improvements are amortized using the straight-line method based upon the shorter of the estimated useful lives or the lease term of the respective assets.

Impairment of long- lived assets

In the event that certain facts and circumstances indicate that the long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation were required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if write-down is required. A $599,000 impairment valuation charge in connection with property and equipment for P-Com's point-to-multipoint product line was charged to restructuring charges in the first quarter of 2003, and a further $2.5 million impairment charge for the point-to-multipoint property and equipment was recorded in the second quarter of 2003.

Concentration of credit risk

Financial instruments that potentially subject P-Com to significant concentrations of credit risk consist principally of cash equivalents and trade accounts receivable. P-Com places its cash equivalents in a variety of financial instruments such as market rate accounts and United States government agency debt securities. P-Com, by policy, limits the amount of credit exposure to any one financial institution or commercial issuer.

P-Com performs on-going credit evaluations of its customers' financial condition to determine the customer's credit worthiness. Sales are then generally made either on 30 to 60 day payment terms, cash on delivery or letters of credit. P-Com extends credit terms to international customers of up to 90 days, which is consistent with prevailing business practices.

At June 30, 2003 and December 31, 2002, approximately 63% and 43%, respectively, of trade accounts receivable represent amounts due from four and three customers, respectively.

Accounting for Income Taxes

P-Com records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. P-Com considers historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event that P-Com determines that it would be able to realize deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period the determination was made.

Years Ended 2002, 2001 and 2000

Sales

Sales consist of revenues from radio systems sales and out-of-warranty repairs and support services offered.

In 2002, 2001 and 2000, sales were approximately $29.7 million, $73.2 million and $183.6 million, respectively. The 59% decrease in sales from 2001 to 2002 was primarily due to the absence of sales to United States competitive local exchange carriers, lack of continuing equipment sales to certain customers in the United Kingdom and the overall decline in global spending for telecommunications. The 60% decrease in sales from 2000 to 2001 was primarily due to significantly decreased product sales to competitive local exchange carrier customers, on which P-Com had heavily relied. P-Com's major customer, Winstar, declared bankruptcy in April 2001.

Sales to Orange Personal Communications Services accounted for approximately 11%, 23% and 9% of total sales in 2002, 2001 and 2000, respectively. Sales to Myntahl Corporation accounted for approximately 14% of total sales in 2002. Sales to T-Mobile (previously known as Mercury-One-to-One) accounted for approximately 18% of 2001 sales, and 4% of 2002 sales.

During 2002, P-Com generated 10% of its sales in the United States, 20%

in the United Kingdom, 51% in Asia, and 4% in other geographical regions. During 2001, P-Com generated 22% of its sales in the United States, 44% in the United Kingdom, 22% in Asia, particularly in the Pacific Rim and 12% in other geographical regions. During 2000, P-Com generated 44% of its sales in the United States, 31% in the United Kingdom, 10% in Continental Europe, and 15% in other geographic regions, particularly in the Pacific Rim.

Many of P-Com's largest customers use its products and services to build telecommunications network infrastructures. These purchases are significant investments in capital equipment and are required for a phase of the rollout in a geographic area or a market. Consequently, the customer may have different requirements from year to year and may vary its purchases from P-Com accordingly.

The significant worldwide contraction in the capital spending of the telecommunications industry negatively affected P-Com's sales in 2002 and the second half of 2001. This trend has continued in the first quarter of 2003. P-Com was not able to adjust operating expense levels drastically enough to result in a profitable operating result in 2002, and given the sales level decline experienced, P-Com could not expect to be profitable at the sales levels experienced in 2002.

Gross Profit

Cost of sales consists primarily of costs related to materials, labor and overhead, freight and duty. In 2002, 2001, and 2000, gross profit (loss) was $(1,091), $(21.7) million and $22.6 million, respectively, or (4%),(30%), and 12%, respectively.

In 2002, 2001, and 2000, product gross margins were negatively affected by inventory and other related charges of $5.8 million, $30.0 million, and $21.7 million, respectively (see "Restructuring and Other Charges" below). Product gross profit as a percentage of product sales, not including the effect of the inventory charges described above, was approximately 15%, 11%, and 24% in 2002, 2001, and 2000, respectively. The higher gross margin in 2002 was due to a reduction of direct production overhead and several sales transactions to the Middle East market at improved prices. In 2001, the reduced gross profit margins related to reduced economies of scale and to pricing pressure on the point-to-point Tel-Link products as a result of the relative maturity of this legacy product line, the global economic slowdown and availability of highly competitive alternative products in the marketplace. Gross profit turned negative in the second half of 2001. Unless sales recover significantly, despite the cost cutting measures in place, P-Com will remain unprofitable.

Research and Development

Research and development expenses consist primarily of costs associated with new product development. P-Com's research and development activities include the development of additional radio products, frequencies and upgrading operating features, and related software tools. Software development costs incurred prior to the establishment of technological feasibility are expensed as incurred. Software development costs incurred after the establishment of technological feasibility and before general release to customers are capitalized, if material.

In 2002, 2001, and 2000, research and development expenses were approximately $12.7 million, $19.8 million and $20.2 million, respectively. As a percentage of product sales, research and development expenses increased from 27% in 2001 to 43% in 2002, primarily due to the lower sales levels. Research and development expenses in 2001 and 2002 continued to be significant due to the substantial final development efforts on the new Encore point-to-point and AirPro Gold spread spectrum products in preparation for commercial rollout in 2002. As a percentage of product sales, research and development expenses increased from 11% in 2000 to 27% in 2001, primarily due to the lower sales levels.

Selling and Marketing

Selling and marketing expenses consist of salaries, sales commissions, travel expenses, customer service and support expenses, and costs related to business development and trade shows. In 2002, 2001, and 2000, selling and marketing expenses were $6.6 million, $7.6 million, and $11.4 million, respectively. As a percentage of sales, selling and marketing expenses increased from 10% in 2001 to 22% in 2002, primarily due to lower sales levels. As a percentage of sales, selling and marketing expenses increased from 6% in 2000 to 10% in 2001, primarily due to the same reason, year-on-year basis.

General and Administrative

General and administrative expenses consist primarily of salaries and other expenses for management, as well as finance, accounting, data processing, public company costs, legal, and other professional services. In 2002, 2001, and 2000, general and administrative expenses, were $10.8 million, $26.1 million (excluding a $11.6 million receivable valuation charge relating to the bankruptcy filing of Winstar), and $18.2 million, respectively. As a percentage of sales, general and administrative expenses were at 36% (excluding the $11.6 million receivable valuation charge) in 2001 as well as in 2002. As a percentage of sales, general and administrative expenses increased from 10% in 2000 to 36% in 2001 due to the decreased sales levels and the inability to reduce fixed expenses as rapidly as the decrease in sales.

Change in Accounting Principle

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies accounted for as purchase business combinations. P-Com adopted SFAS 142 on January 1, 2002, and, as a result, stopped recording goodwill amortization but did record a transitional impairment charge of $5.5 million in the first quarter of 2002, representing the difference between the fair value of expected cash flows from the services business unit, and its book value.

Goodwill Amortization and Impairment

Under previous accounting treatment, goodwill was amortized quarterly upon a fixed schedule. Goodwill was amortized on a straight-line basis over the period of expected benefit of 20 years. In 2001 and 2000, goodwill amortization was approximately $2.4 million and $4.1 million, respectively. In the second quarter of 2000, management reviewed the carrying value of goodwill related to its 1998 acquisition of the Cylink Wireless Group. Based upon its assessment of future value of revenue flows estimated to be provided from this acquisition, a $15 million impairment charge was recorded. Management also determined it appropriate to amortize the remaining goodwill related to the Cylink Wireless Group over a 4 1/2 year period beginning in July 2000. In 2001, management again reviewed the carrying value of goodwill related to Cylink Wireless Group. Based on the changes to the forecast future cash flows and the replacement of the Cylink Wireless Group spread spectrum products with its successor AirPro Gold line, P-Com determined that the residual goodwill arising from the acquisition of Cylink Wireless Group in 1998 was impaired and recorded a charge of $5.6 million in the third quarter of 2001.

Goodwill Impairment

Management reviewed the carrying value of goodwill related to the services business unit, and based upon its assessment of future cash value of revenue flows and the current depressed business condition of the telecommunications services market, recorded an $11.4 million impairment charge in the fourth quarter of 2002.

Restructuring and Other Charges

In the fourth quarter of 2002, P-Com determined that there was a need to reevaluate its inventory carrying value in light of the continuing worldwide slowdown in the global telecommunications market, especially with regard to an assessment of future demand for P-Com's point-to-multipoint product range. This resulted in a $5.8 million inventory charge to product cost of sales, of which $5.0 million was for point-to-multipoint inventories, and $0.8 million was for spread spectrum inventories.

In the first quarter of 2001, P-Com recorded a $10.0 million inventory related charge to product cost of sales, and incurred a $11.6 million receivable valuation charge, a direct result of the bankruptcy of Winstar. In the third quarter of 2001, P-Com determined that there was a need to reevaluate its inventory carrying value in the light of the significant slowdown in the global telecommunication market, and the phasing out of and replacement of current product designs. The evaluation included an assessment of future demand for certain of P-Com's lower speed and lower frequency TelLink point-to-point products, and resulted in total charges to product costs of sales of approximately $18.0 million in the third quarter of 2001. Additionally $2.0 million was charged to product cost of sales in the fourth quarter of 2001.

In the second quarter of 2000, P-Com determined that there was a need to reevaluate its inventory levels and related accrued liabilities in light of recent changes in product and customer mix. The evaluation was prompted by a change in customer mix away from the United Kingdom and other European markets and toward the United States market, and the resulting anticipated decrease in demand for certain of P-Com's lower speed and lower frequency Tel-Link point-to-point product line, and resulted in total charges of approximately $21.7 million during the second quarter of 2000. These charges consisted of increases to the inventory reserve of approximately $17.4 million and accrued liabilities of approximately $4.3 million, both relating to P-Com's product segment. In addition, P-Com performed a review of the carrying value and remaining life of long-lived assets associated with its product segment and recorded write-downs of approximately $15.0 million of goodwill, and an approximately $9.9 million write-off of deferred tax assets.

P-Com increased inventory reserves and related purchase liabilities through charges to product cost of sales in the second quarter of 2000. Of the $17.0 million charge for additional reserves, $15.4 million related to the TelLink point-to-point product line. An additional reserve of approximately $1.0 million was added in the second quarter of 2000 to adjust the carrying value of certain modules of the point-to-multipoint radio line.

Loss on Discontinued Business

In the first quarter of 2003, P-Com decided to exit its service business, P-Com Network Services, Inc. Accordingly, this business is reported as a discontinued operation and P-Com recorded losses from its operations for the year ended December 31, 2002, 2001 and 2000. On April 30, 2003, P-Com entered into an Asset Purchase Agreement with JKB Global, LLC to sell certain assets of P-Com Network Services, Inc. P-Com is a guarantor of P-Com Network Services, Inc.'s obligations under its premises lease, through July 2007. As part of the sale to JKB Global, LLC, JKB Global, LLC has agreed to sublet the premises from P-Com Network Services, Inc. for one year beginning May 1, 2003. The terms of the sublease required JKB Global, LLC to pay less than the total amount of rent due under the terms of the master lease. As a result, P-Com remained liable under the terms of the guaranty for the deficiency, and the total obligation under the terms of the master lease was approximately $1.5 million. This amount was accrued in the second quarter of 2003 as loss on disposal of discontinued operations. In September 2003, P-Com entered into an agreement to terminate the premises lease in consideration for the payment to the landlord of $240,000.

Interest Expense

In 2002, 2001, and 2000, interest expense was $2.5 million, $1.9 million, and $4.6 million, respectively. In 2002, interest expense primarily relates to the borrowings on the bank line, the 4.25% Convertible Subordinated Notes, the issuance of the 7% Convertible Subordinated Notes effective November 1, 2002, note conversion expenses and interest on equipment leases. Approximately $0.8 million was charged to interest expense in 2002 (zero in 2001) related to conversion of the 4.25% Convertible Subordinated Notes to common stock, in compliance with SFAS 84. In 2001, interest expense primarily relates to the 4.25% Convertible Subordinated Notes, fees incurred in setting up the Loan and Security Agreement with Foothill Capital Corporation and interest on equipment leases. For 2000, interest expense consisted primarily of interest and fees incurred on the 4.25% Notes and borrowings under P-Com's bank lines of credit, interest on the principal amount of equipment leases, and contractual penalties for late filing of the registration statement in connection with the issuance of the Series B Convertible Preferred Stock and the related warrants. Approximately $1.9 million was charged to interest expense in 2000 related to amortization of the fair value of warrants issued to P-Com's lender group in January 2000. The higher interest expense in 2002 compared to 2001 is due primarily to the recognition of $771,000 of note conversion expenses in compliance with SFAS 84. The reduction in interest expense in 2001 compared to the prior year was primarily due to reduced debt levels outstanding in these periods.

Gain on Sale of Subsidiary

P-Com recognized a gain of approximately $9.8 million in 2001 on the sale of RT Masts in February 2001.

Other Income (Expense), Net

In 2002, other expense, net related primarily to losses on vendor settlements of $1.2 million, and writing off of a notes receivable of $0.8 million. These were partially offset by exchange gain arising from Euro and United Kingdom pound denominated receipts when these currencies appreciated against United States dollars and other miscellaneous income.

In 2001, other expense, net was comprised primarily of losses related to the write-down of property and equipment and foreign currency translation loss offset by an earn out royalty payment related to the 2000 sale of the Control Resources Corporation subsidiary, and investment income from available cash balances. In 2000, other expense, net represented primarily a $3.5 million loss in the first quarter on the sale of P-Com's Cemetel unit, foreign exchange losses of approximately $5.0 million and the write-off of a 1998 investment in a Poland-based telecommunications venture of $1.3 million. This was partially offset by interest income on excess cash balances, and a gain of $2.6 million on the sale of Control Resources Corporation in April 2000.

Provision (Benefit) for Income Taxes

In 2002 and 2001, P-Com recorded a net tax benefit of $(0.5) million and $(0.6) million, respectively, relating to recovery of prior year's federal income tax, offset by income taxes attributable to foreign jurisdictions that had local taxable income for both years.

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In 2000, P-Com recorded tax provisions of $10.9 million, comprised of a $9.9 million write-off of deferred tax assets taken in 2000 and income taxes attributable to foreign jurisdictions that had taxable income for 2000. No benefit was recognized in 2002, 2001, and 2000 for net operating losses incurred.

Extraordinary Item

In the second quarter of 2002, P-Com repurchased 4.25% Convertible Subordinated Notes with a face value of $1.75 million for approximately $367,000 in cash.

In January 2000, P-Com repurchased $7.0 million of its 4.25% Convertible Subordinated Notes by issuing 677,000 shares of newly issued P-Com common stock with a fair market value of $5.1 million. The extraordinary gain resulting from this transaction amounted to $1.9 million.

Six Months Ended June 30, 2003

Results of Operations

Sales

For the three months ended June 30, 2003, total sales were approximately $5.0 million as compared to $8.1 million for the same period in the prior year. For the six months ended June 30, 2003, total sales were approximately $9.6 million, compared to $15.9 million for the same period in the prior year. The decrease in total sales for the six-months ended June 30, 2003 as compared to 2002 was principally attributable to a $4.6 million decrease in point-to-point and spread spectrum product shipments to the Asia-Pacific Rim countries. The continuing capital expenditure control measures implemented by North American and European telecommunication companies have continued to adversely impact P-Com's sales. Approximately $2.9 million of P-Com's sales in the second quarter of 2003 are from out-of-warranty repair activities, an increase of $0.9 million over the previous quarter.

During the six-month period ended June 30, 2003 and 2002, four and three customers accounted for a total of 53% and 41% of P-Com's total sales, respectively.

During the six months ended June 30, 2003, P-Com generated approximately 29% of its sales in the Asia-Pacific Rim areas and the Middle East combined. During the same period in 2002, P-Com generated 54% of its sales in the Asia-Pacific Rim and the Middle East combined. The United Kingdom market contributed 33% of the P-Com's revenue in the six months ended June 30, 2003, compared to 18% in the same period in 2002. P-Com's next largest market is the European continent, which generated approximately 18% of its revenue in the six months ended June 30, 2003, compared to 13% in the same period in 2002.

Many of P-Com's largest customers use its product to build telecommunication network infrastructures. These purchases represent significant investments in capital equipment and are required for network rollout in a geographic area or market. Consequently, the customer may have different requirements from year to year and may vary its purchase levels from P-Com accordingly. As noted, the worldwide slowdown in the telecommunications industry is significantly affecting P-Com's customers and revenue levels.

Gross Profit

Gross profit for the three months ended June 30, 2003 and 2002, was $841,000 and $1.4 million, respectively, or 17% and 18% of sales in each of the respective quarters. Excluding the $0.3 million inventory and related charges recorded in the second quarter, product gross profit margins for the quarter ended June 30, 2003 would have been 23%. The higher gross margin was attributable principally to a higher percentage of total revenue in the second quarter from the sale of unlicensed equipment and out-of-warranty repairs, which provide higher gross margins compared to newly developed product sales that have not yet reached the volume required for higher margins. The inventory and related charge in the second quarter of 2003 consists of $1.2 million for P-Com's point-to-multipoint, and $0.9 million for P-Com's legacy Tel-link point-to-point and Air-link spread spectrum products, offset by a write-back of $1.8 million of accounts payable and purchase commitment liabilities arising from vendor settlements. The charges related to P-Com's point-to-multipoint, Tel-link and Air-link products were taken in view of the less favorable market conditions for these products. For the six months ended June 30, 2003 and 2002, gross profit was $1.4 million (excluding inventory and related charges of $3.6 million) and $2.2 million, or 15% and 14% of sales, respectively. The higher gross margin was attributable principally to a higher percentage of total revenue during the six month period coming from the sale of unlicensed equipment and out-of-warranty repairs, which provide higher gross margins compared to newly developed product sales that have not yet reached the volume required for higher margins. Including the inventory and related charges of $3.6 million, gross loss for the six months ended June 30, 2003 is (23%).

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Because of the sluggish economic environment surrounding the wireless telecommunications industry, P-Com closely monitors its inventory carrying value, and particularly with regard to a timely assessment of future demand for its point-to-multipoint, and its other legacy product lines. P-Com's reviews, as stated above, have resulted in a $2.0 million charge to cost of sales for its point-to-multipoint, Tel-Link point-to-point and Air-link spread spectrum inventories during the three months ended June 30, 2003. In the first quarter of 2003, P-Com recorded a $3.4 million inventory related charge to cost of sales, of which $2.0 million was related to its point-to-multipoint inventories. Because P-Com has substantially reserved all remaining inventories in the aforementioned product lines, future material charges are not expected. However, additional charges for obsolescence or excessive quantities may arise from other product lines as management continues to review its inventories.

Research and Development

For the three months ended June 30, 2003 and 2002, research and development expenses were approximately $1.7 million and $3.7 million, respectively. For the six months ended June 30, 2003 and 2002, research and development expenses were approximately $3.6 million and $7.8 million, respectively. The decrease in research and development expense was due to the restructuring of the point-to-multipoint operations, reduced depreciation charges, reduced staffing levels and substantial completion of product development efforts related to P-Com's point-to-point Encore and AirPro Gold spread spectrum radios. As a percentage of sales, research and development expenses were at 34% for the three months ended June 30, 2003, compared to 46% for the three months ended June 30, 2002. The percentage decrease is due to significant expense reduction efforts as mentioned above.

Selling and Marketing

For the three months ended June 30, 2003 and 2002, sales and marketing expenses were approximately $0.8 million and $1.7 million, respectively. For the six months ended June 30, 2003 and 2002, sales and marketing expenses were approximately $1.8 million and $3.5 million, respectively. The decrease in sales and marketing spending is due to lower commission payments in light of decreased sales in the Asia-Pacific Rim areas, headcount reductions and reduced traveling expenses. As a percentage of sales, selling and marketing expenses was 17% for the three months ended June 30, 2003, compared to 21% for the three months ended June 30, 2002. The percentage decrease was caused by significant savings in sales and marketing expenses, as described above.

General and Administrative

For the three months ended June 30, 2003 and 2002, general and administrative expenses were approximately $1.6 million and $3.2 million, respectively. For the six months ended June 30, 2003 and 2002, general and administrative expenses were approximately $3.2 million and $6.2 million, respectively. The decrease in general and administrative expense in the second quarter of 2003 is attributable to a realization of savings from cost reduction programs that continued from 2002 to 2003, including headcount reductions, lowering of salaries, reduced consulting and legal expenses, and facilities consolidation. As a percentage of sales, general and administrative expenses were 31% for the three months ended June 30, 2003, compared to 39% for the three months ended June 30, 2002. The percentage decrease is due to P-Com's success in significantly reducing its expenses throughout the year.

Asset Impairment and Other Restructuring Charges

In the event that certain facts and circumstances indicate that the long-lived assets may be impaired, an evaluation of recoverability would be performed. When an evaluation occurs, management conducts a probability analysis based on the weighted future undiscounted cash flows associated with the asset. The results are then compared to the asset's carrying amount to determine if an impairment is necessary. The cash flow analysis for the property and equipment is performed over the shorter of the expected useful lives of the assets, or the expected life cycles of P-Com's product line. An impairment charge is recorded if the net cash flows derived from the analysis are less than the asset's carrying value. P-Com deems that the property and equipment is fairly stated if the future undiscounted cash flows exceed its carrying amount.

In the first and second quarter of 2003, P-Com determined that there was a need to reevaluate the carrying value of its property and equipment, which are held for sale, relating to its point-to-multipoint product line. The evaluation was performed in light of the continuing slowdown in the global telecommunications market for this product line. The evaluation resulted in a \$2.5 million provision for asset impairment in the second quarter of 2003, and a \$0.6 million provision in the first quarter of 2003.

The aforementioned charges were based upon management's determination that the assets had no fair value (in regards of future cash flows, salvage or otherwise) and, therefore, resulted in no remaining net asset carrying value related to P-Com's point-to-multipoint product lines. Because P-Com has substantially reserved all remaining long-lived assets in the aforementioned product lines, future material charges are not expected. However, additional charges for obsolescence or impairments may arise from other products lines as management continues to review its long-lived assets.

In connection with the workforce reduction in May 2003, P-Com recorded a \$0.2 million charge in the second quarter of 2003 relating to a severance package given to certain of its executive officers.

Loss on discontinued business

In the first quarter of 2003, P-Com decided to exit its services business, P-Com Network Services, Inc. Accordingly, beginning in the first quarter of 2003, this business is reported as a discontinued operation and P-Com recorded losses from its operations and from the disposal of the services business unit relating to writing down of assets to net realizable value. On April 30, 2003, P-Com entered into an Asset Purchase Agreement with JKB Global, LLC to sell certain assets of P-Com Network Services, Inc. P-Com is a guarantor of P-Com Network Services, Inc.'s obligations under its premises lease, through July 2007. As part of the sale to JKB Global, LLC, JKB Global, LLC has agreed to sublet the premises from P-Com Network Services, Inc. for one year beginning May 1, 2003. The terms of the sublease required JKB Global, LLC to pay less than the total amount of rent due under the terms of the master lease. As a result, P-Com remained liable under the terms of the guaranty for the deficiency, and the total obligation under the terms of the master lease was approximately \$1.5 million. This amount was accrued in the second quarter of 2003 as loss on disposal of discontinued operations. In September 2003, P-Com entered into an agreement to terminate the premises lease in consideration for the payment to the landlord of \$240,000.

Change in accounting principle

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies accounted for as purchase business combinations. P-Com adopted FAS 142 on January 1, 2002, and, as a result, recorded a transitional impairment charge of \$5.5 million in the first quarter of 2002, representing the difference between the fair value of expected cash flows from the services business unit, and its book value.

Interest Expense

For the three months ended June 30, 2003 and 2002, interest expense was \$0.6 million and \$0.7 million, respectively. Interest expense for the second quarter of 2003 comprised primarily of interest on the principal amount of P-Com's Convertible Subordinated Notes due 2005, interest on its bank line of credit, interest on capital leases and amortization of discount on the promissory notes. The higher expense levels in the second quarter of 2002 were due to the recording of \$198,000 of notes conversion expense in connection with SFAS 84, Induced Conversion of Convertible Debt. For the six months ended June 30, 2003 and 2002, interest expense was \$1.1 million and \$1.0 million, respectively. The higher expense in 2003 was due to the higher interest rate on the Convertible Subordinated Notes due 2005, which was raised to 7% per annum on November 1, 2002, compared to 4.25% per annum previously, and amortization of discount on the Convertible Subordinated Notes due 2005.

Gain on Debt, Restructuring and Other Income, Net

For the three-month period ended June 30, 2003, gain on debt restructuring and other income, net, totaled $2.4 million compared to $1.1 million for the comparable three-month period in 2002. For the six-month period ended June 30, 2003, gain on debt restructuring and other income, net, totaled $2.5 million compared to $1.5 million for the corresponding period in 2002. The higher amount in 2003 was due to $1.5 million of gain on redemption of Convertible Subordinated Notes due 2005, and $0.8 million of gain from the sale of property and equipment.

During the quarterly period ended June 30, 2003, P-Com settled a vendor liability with a carrying value of $2.3 million in exchange for fixed assets, which had nominal value, and the recovery of 920,000 shares of common stock that the vendor owned. The gain on this transaction was allocated based upon the relative fair values of the assets received or issued. The common shares acquired were valued at $0.1 million and recorded in treasury. The remainder of the gain was allocated to debt restructuring and gain on disposal of fixed assets in the amount of $1.5 million and $0.9 million, respectively.

Provision (Benefit) for Income Taxes

P-Com has not recorded the tax benefit of its net operating losses since the criteria for recognition has not been achieved. The net operating losses will be available to offset future taxable income, subject to certain limitations and expirations.

Liquidity and Capital Resources

Since P-Com's inception in August 1991, P-Com has financed its operations and capital requirements through net proceeds of approximately $97.2 million from its initial and two follow-on public offerings of P-Com common stock; $110.2 from private placements of P-Com common stock; $32.2 million from four preferred stock financings; $97.5 million from the 4.25% Notes issued in 1997; and borrowings under bank lines of credit and equipment lease arrangements.

In 2002, P-Com used approximately $14.5 million of cash in operating activities, primarily due to the net loss of $54.3 million, offset by depreciation charges of $6.6 million, non-cash charges to cost of sales for inventory related charges aggregating $5.8 million, and an impairment charge related to goodwill of $16.9 million. In addition, P-Com experienced decreases in inventories, other accrued liabilities, accounts receivable, and prepaid expenses related to lower levels of sales and operations level reductions caused by the current downturn.

During the six-month period ended June 30, 2003, P-Com used approximately $1.6 million of cash in operating activities, primarily due to its net loss of $16.4 million, offset by a $3.6 million non-cash loss related to inventory and related charges, $3.1 million of property and equipment impairment charges, and depreciation expense of $2.7 million. Significant contributions to cash flow resulted from a net reduction in inventories of $1.8 million, a net reduction in trade receivables of $1.5 million, and a net reduction in prepaid and other current assets of $0.6 million. These were partially offset by a pay down of accounts payable of $0.7 million.

During the six-month period ended June 30, 2002, P-Com used approximately $10.8 million of cash in operating activities, primarily related to the net loss of $23.2 million, including a $5.5 million non-cash goodwill impairment charge, $1.8 million of inventory and related charges, and depreciation expense of $3.5 million, offset by a $1.4 million gain on the redemption of certain Convertible Subordinated Notes due 2005. Other significant contributions to cash flow from operations for the six-month period ended June 30, 2002 were cash generated through inventory usage of $6.6 million, and a net increase of trade payables of $1.3 million. These were offset by a net decrease of other accrued liabilities of $8.4 million.

During 2002, P-Com received net proceeds of approximately $5.0 million through investing activities. The net proceeds resulted primarily from the decrease in restricted cash of $2.5 million, and proceeds from sale of property and equipment of $0.3 million and a contribution of $2.9 million from changes in the net assets of discontinued operations, offset by acquisition of property and equipment of $0.6 million.

During the six-month period ended June 30, 2003, net cash flows used by investing activities were minimal. P-Com generated $0.9 million from changes in the net assets of discontinued operations, offset by a $400,000 loan to SPEEDCOM and a $0.6 million increase in restricted cash. During the six-month period ended June 30, 2002, P-Com generated approximately $8.3 million of cash from investing activities due to the decrease in restricted cash of $2.9 million and a contribution of $2.9 million from changes in the net assets of discontinued operations, offset by $0.4 million related to an asset acquisition.

In 2002, P-Com received net proceeds of approximately $7.7 million through financing activities. P-Com received approximately $7.3 million and $0.4 million in June 2002 and December 2002, respectively, in net proceeds from the issuance of P-Com common stock, and drew $2.6 million from P-Com's available bank line. P-Com used $2.1 million to redeem a total face value of $3.5 million of the 4.25% Notes in June 2002 and in November 2002. P-Com further remitted $0.5 million under its capital lease obligations.

During the six-month period ended June 30, 2003, P-Com generated $0.5 million in cash from financing activities, primarily from the issuance of the convertible promissory notes, which generated net proceeds of approximately $1.7 million, after deducting expenses, and $0.3 million from the issuance of common stock, offset by a $1.2 million repayment of borrowings under P-Com's credit facility with Silicon Valley Bank and a $0.3 million payment of P-Com's capital lease obligations. The convertible promissory notes bear interest at 10% per annum, and mature one year from the date of issuance. The convertible promissory notes are subordinated to outstanding borrowings under the credit facility with Silicon Valley Bank but are senior to the Convertible Subordinated Notes due 2005. P-Com repurchased $2.3 million of the Convertible Subordinated Notes with excess property and equipment, thereby reducing its obligations under the Convertible Subordinated Notes due 2005 to $20.1 million. During the six-month period ended June 30, 2002, P-Com generated $9.9 million cash flows from financing activities, primarily through $7.5 million net proceeds from the issuance of common stock, and $3.0 million cash advances from a bank based on P-Com's qualifying trade receivables, offset by payments for capital leases and the repurchase of the Convertible Subordinated Notes due 2005.

P-Com's principal sources of liquidity as of December 31, 2002 consisted of approximately $0.9 million of cash and cash equivalents, and additional amounts that P-Com may borrow under the existing credit facility with Silicon Valley Bank. Cumulative operating losses have seriously affected P-Com's liquidity in 2002. At December 31, 2001, P-Com had approximately $2.5 million in cash and cash equivalents. P-Com further had $2.9 million in restricted cash resulting from an attachment, as part of a dispute with a vendor. The dispute had been fully resolved and the attachment removed in February 2002, resulting in approximately $1.4 million being released to P-Com at that time.

As of June 30, 2003, P-Com's principal sources of liquidity consisted of approximately $0.2 million of cash and cash equivalents, and remaining amounts available under the credit facility with Silicon Valley Bank.

At December 31, 2002, P-Com had negative working capital of approximately $1.8 million. The negative working capital resulted from P-Com's continuing operating losses, higher loan from bank balance and a $5.5 million inventory write-down to net realizable value. Unless P-Com is able to generate sufficient profitable sales, or obtain new equity, P-Com may have insufficient working capital to fund its operations.

At June 30, 2003, P-Com had negative working capital of approximately $33.5 million. The negative working capital resulted from P-Com's continuing operating losses, reclassification of $20.1 million of Convertible Subordinated Notes due 2005 to current due to default on interest payments, and a $5.5 million inventory write-down to net realizable value and accrual of other charges. On May 1, 2003, P-Com was obligated to make a $784,000 interest payment on its Convertible Subordinated Notes due 2005, and a $202,000 payment with respect to a promissory note restructured in November 2002. P-Com did not make either of the required payments, and received waivers with respect to such payments through the date of the restructuring of the Convertible Subordinated Notes due 2005, as discussed below. If P-Com fails to (i) obtain additional debt or equity financing; (ii) generate sufficient revenues from new and existing products sales; (iii) obtain agreements from its creditors to reduce the amount owed and extend repayment terms; (iv) negotiate agreements to settle outstanding litigation; or (v) renew the credit facility with Silicon Valley Bank when it expires in September 2003, P-Com will have insufficient capital to continue its operations. Without sufficient capital to fund its operations, P-Com will no longer be able to continue as a going concern.

On September 20, 2002, P-Com and Silicon Valley Bank entered into a Credit Facility Agreement for a total facility of $5.0 million, consisting of a $1.0 million borrowing line based on domestic receivables, and a Loan and Security Agreement under the Export-Import ("EXIM") program for a $4.0 million borrowing line based on export related inventories and receivables. The bank makes cash advances equal to 70% of eligible accounts receivable balances for both the EXIM program and domestic lines, and up to $1.2 million for eligible inventories under the EXIM program. Advances under these loan agreements bear interest at the bank's prime rate plus 2.5% per annum. The loan agreements expire on September 20, 2003, and are secured by all receivables, deposit accounts, general intangibles, investment properties, inventories, cash, property, plant and equipment of P-Com. P-Com has issued a $4.0 million secured promissory note underlying these loan agreements to the bank. As of December 31, 2002, the loan amount payable to the bank was $2.9 million. P-Com was not in compliance with the loan agreements' revenue and minimum tangible net worth covenants as of December 31, 2002, and, on March 4, 2003, P-Com received a limited waiver from the bank for the designated revenue default, and a limited forbearance from exercising its rights and remedies arising from the tangible net worth default until the earlier of (i) March 15, 2003, or (ii) the occurrence of an event of default. On March 24, 2003, P-Com received a waiver from the bank of the non-compliance with the minimum tangible net worth covenant as of December 31, 2002, and the cross default arising from the non-compliance. P-Com also received from the bank in the same waiver agreement a limited forbearance from exercising its rights and remedies arising from P-Com's non-compliance with the tangible net worth covenant as of January 31, 2003 until the earlier of (i) April 15, 2003, or (ii) the occurrence of an event of default other than the January 2003 default. Under the terms of the forbearance, the bank reserved its right to immediately cease extending credit without further notice, and the right, in its discretion, to have the outstanding debt obligations bear interest at the default rate of interest, which includes an additional 4% penalty charge.

On June 30, 2003, the Credit Facility was amended as follows. Silicon Valley Bank will make cash advances equal to 70% of eligible accounts receivable balances for both the EXIM program and domestic lines, and up to $750,000 for eligible inventories under the EXIM program, subject to a limit of not more than 30% of eligible trade receivables. As of June 30, 2003, the loan amount payable to the bank under the credit facility aggregated approximately $1.4 million.

P-Com has an unsecured overdraft line with a bank in Italy, for borrowings up to $83,000, based on domestic trade receivables. Borrowings under this line bear interest at 4.5% per annum. As of June 30, 2003, the overdraft amount drawn on this line was approximately $53,000.

On March 26, 2003, P-Com completed a bridge financing transaction in which it issued $1.5 million of 10% convertible promissory notes with a maturity date of one year from the date of issuance. These convertible promissory notes are subordinated to the existing bank line of credit, but senior to the $22.4 million Convertible Subordinated Notes due 2005.

On May 28, 2003, P-Com completed a bridge financing transaction in which it issued $0.3 million of 10% convertible promissory notes with a maturity date of one year from the date of issuance. These convertible promissory notes are subordinated to the existing bank line of credit, but senior to the $22.4 million Convertible Subordinated Notes due 2005.

On August 9, 2003, P-Com completed a bridge financing transaction in which it issued $0.9 million of 10% convertible promissory notes with a maturity date of one year from the date of issuance. These convertible promissory notes are subordinated to the existing bank line of credit, but senior to the $22.4 million Convertible Subordinated Notes due 2005. In connection with this bridge financing transaction, P-Com loaned $500,000 to SPEEDCOM in the form of a two-year 10% note, which is convertible into shares of SPEEDCOM common stock.

On August 4, 2003, as a result of the restructuring of its Convertible Subordinated Notes due 2005, the principal amount and accrued interest of $21,138,000 was converted into 1,000,000 shares of Series B Convertible Preferred Stock with a stated value of $21.138 per share. Each share of Series B Convertible Preferred Stock converts into a number of shares of P-Com common stock equal to the stated value divided by $0.20. The holders of Series B Convertible Preferred Stock have agreed to convert the Series B Convertible Preferred Stock into common stock upon receipt of stockholder approval to increase the number of authorized shares of P-Com common stock to allow for conversion, and upon completion of a qualified financing.

On October 3, 2003, P-Com closed $11.0 million in Series C Preferred Stock (the "Series C Financing") with a stated value of $1,750 per share, resulting in net proceeds of approximately $7.9 million after deducting expenses related to the Series C Financing, and payment of certain claims related to P-Com's restructuring. Dividends accrue on the Series C Preferred Stock beginning 12 months after the closing, at 6% per annum paid semi-annually in cash or common stock, at the option of P-Com, and increasing to 8% per annum beginning 24 months after the closing. At P-Com's option, the Series C Preferred Stock is mandatorily convertible one hundred eighty days after the effective date of the registration statement covering the shares of common stock issuable upon the conversion of the Series C Preferred Stock, and upon the satisfaction of the following conditions: (i) for ten consecutive days, the common stock closes at a bid price equal to or greater than $0.20; (ii) the continued effectiveness of the registration statement; (iii) all shares of common stock issuable upon conversion of the Series C Preferred Stock and Series C-1 and Series C-2 Warrants are authorized and reserved for issuance, are registered under the Securities Act for resale by the holders, and are listed or traded on the Bulletin Board or other national exchange; (iv) there are no uncured redemption events; and (v) all amounts accrued or payable under the Series C Preferred Stock Certificate of Designation or registration rights agreement have been paid. The holders of the Series C Preferred Stock also received 7,000 Series C-1 Warrants and 7,000 Series C-2 Warrants for each share purchased. The Series C-1 Warrants have a term of five years and an initial exercise price of $0.15 per warrant, increasing to $0.18 per warrant on the first anniversary of the closing date. The Series C-2 Warrants have a term of five years and an initial exercise price of $0.18 per warrant, increasing to $0.22 per warrant eighteen months after the closing date.

Given (i) P-Com's deteriorating cash position; (ii) the impending expiration of P-Com's credit facility; (iii) the aging of P-Com's accounts payable; (iv) the size and working capital needs of P-Com's business; and (v) P-Com's history of losses P-Com's ability to continue as a going concern is doubtful in the absence of additional funding in the short term. Additional financing may not be available to P-Com on acceptable terms, or at all, when required by us. Without sufficient capital to fund its operations, P-Com will be unable to continue as a going concern despite making significant reductions in its operating expense levels over the past 12 months. In addition to receiving new funds, P-Com needs to significantly increase sales, reduce its short-term liabilities by inducing creditors to agree to accept reduced payments, forbear on the amount owing or to offer extended payment terms. If P-Com is unable to increase sales to a sufficient level, or to reach agreements with any or enough of its creditors, P-Com will not be able to continue as a going concern. As a result of these circumstances, P-Com's independent accountants' opinion on its consolidated financial statements for the year ended December 31, 2002 includes an explanatory paragraph indicating that these matters raise substantial doubt about P-Com's ability to continue as a going concern. If additional funds are raised through the issuance of equity securities, further dilution to the existing stockholders will result.

The following summarizes P-Com's contractual obligations at December 31, 2002, and the effect such obligations are expected to have on its liquidity and cash flow in future periods:

OBLIGATIONS (in $000):	Less Than One Year	One to Three Years	Three to Five Years	After Five Years

Convertible subordinated notes	$ --	$ 22,390	$ --	$ --
Non-cancelable operating lease obligations	3,001	6,788	466	--
Loan payable to bank	2,908	--	--	--
Senior subordinated secured promissory notes	202	--	--	--
Open purchase order commitments	1,073	--	--	--
Capital lease obligations	435	2,077	--	--
TOTAL	$ 7,619	$ 31,255	$ 466	$ --

As a result of P-Com's default under certain capital lease obligations, the total amount due has been accelerated to the current period.

The following summarizes P-Com's contractual obligations at June 30, 2003, and the effect such obligations are expected to have on its liquidity and cash flow in future periods:

OBLIGATIONS (IN $000):	LESS THAN ONE YEAR	ONE TO THREE YEARS	THREE TO FIVE YEARS	AFTER FIVE YEARS	TOTAL
Convertible Subordinated Notes	$20,090	$ --	$ --	$--	$20,090
Convertible promissory note	2,002	--	--	--	2,002
Non-cancelable operating lease obligations	783	3,816	736	--	5,335
Capital lease obligations	241	1,983	--	--	2,224
Loan payable to banks	1,403	--	--	--	1,403
Purchase order commitments	1,238	--	--	--	1,238
TOTAL	$25,757	$ 5,799	$ 736	$--	$32,292

P-Com does not have any material commitments for capital equipment. Additional future capital requirements will depend on many factors, including P-Com's plans to increase manufacturing capacity, working capital requirements for its operations and its internal free cash flow from operations.

Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period commencing July 1, 2003. P-Com believes that the adoption of this standard will have no material impact on its financial statements.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. The statement amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. This statement is designed to improve financial reporting such that contracts with comparable characteristics are accounted for similarly. The statement, which is generally effective for contracts entered into or modified after June 30, 2003, is not anticipated to have a significant effect on P-Com' s financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. At June 30, 2003, P-Com had no such financial instruments outstanding and therefore adoption of this standard had no financial reporting implications. On August 5, 2003, P-Com issued shares of Series B Preferred Stock, which have certain terms that, while improbable, may require their mandatory redemption for cash. P-Com believes that accounting for these securities as a mezzanine security, outside of equity, under Staff Accounting Bulletin No. 64 (SAB 64) is appropriate.

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SPEEDCOM'S BUSINESS

Overview

SPEEDCOM is a Delaware corporation. SPEEDCOM manufactures, configures and delivers a variety of broadband fixed-wireless products, including its award winning SPEEDLAN family of wireless ethernet bridges and routers. Internet service providers, telecommunications carriers and other service providers, and private organizations in the United States of America and more than 80 foreign countries worldwide, use SPEEDCOM's products to provide broadband "last-mile" wireless connectivity in various point-to-point and point-to-multipoint configurations at speeds up to 155 megabits per second and distances up to 25 miles. SPEEDCOM's products provide high-performance broadband fixed wireless solutions specifically designed for building-to-building local area network connectivity and wireless Internet distribution.

SPEEDCOM's wireless products are designed to meet the "backbone" and "last-mile" needs of two distinct market sectors: the service provider market and the enterprise market. The service provider market is comprised of various Internet service providers and telecommunication carriers, which provide fixed wireless broadband Internet connectivity to business and residential customers. The enterprise market is comprised of corporations, schools, universities, governments and the military, which need wireless campus-wide private data networks. In both cases, SPEEDCOM's wireless broadband products provide the user with lower cost of ownership and significantly reduced installation time compared to alternative wired solutions. Service providers and enterprise customers alike choose SPEEDCOM solutions based on their reputation for reliability, performance, service, and value.

SPEEDCOM operates in a single dominant operating segment, as that term is defined in Statements on Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise."

SPEEDCOM sells its wireless broadband products in domestic and international markets through both an indirect channel of distributors, resellers, and original equipment manufacturers and a direct sales force. SPEEDCOM sells its products in over 80 countries, with international sales amounting to approximately 46% and 53% of SPEEDCOM's total 2002 and 2001 revenues, respectively. The following table sets forth revenues by geographic area:

Geographic Area	2002	2001
North America	54%	47%
Africa	14%	12%
Asia and the Pacific Rim	11%	15%
Latin America	8%	16%
European Union	5%	3%
Other Foreign Areas	8%	7%

Industry Background and Competition

The fixed wireless broadband market is at an early stage of development and is rapidly evolving. The outdoor fixed wireless broadband market is made up of two distinct sectors: the enterprise market, which is comprised of corporations, schools, universities, the military, and other similar private customers who use SPEEDCOM products and services to establish site-wide wireless networks; and the service provider market, which is comprised of Internet service providers and telecommunication carriers. These companies use SPEEDCOM's products as integral components of their high performance "backbone" and/or "last-mile" networks that carry high-speed Internet, voice, video, and data technologies to their business and residential customers.

Fixed wireless networks use licensed, unlicensed or a combination of licensed and unlicensed radio frequencies to provide network access for both data and voice applications. SPEEDCOM's wireless broadband network products are designed to run principally on unlicensed radio frequencies, often referred to as "public bands," that do not require a license with the Federal Communications Commission ("FCC") (the 2.4 gigahertz frequency and the 5.7 gigahertz frequency are unlicensed frequencies used by SPEEDCOM's products). In the public bands, the industry has adopted standards for use of unlicensed frequencies and attempts to create compatibility among vendors, which is called the Institute of Electrical and Electronics Engineers ("IEEE") 802.11b specification. However, this standard, which is more appropriate for indoor or short-range wireless connectivity, sacrifices speed and cost for compatibility and mobility. Because speed, range, and cost are most often more important to the users of fixed wireless equipment, SPEEDCOM offers a suite of products that do not strictly adhere to IEEE 802.11b and instead use slightly modified specifications that are specifically designed for outdoor fixed-wireless connectivity.

Also in the public band, frequency interference is a significant engineering concern. Currently, fixed wireless users can choose between two radio frequency technologies that are designed to minimize the risk of interference, known as direct sequence spread spectrum and frequency hopping spread spectrum. SPEEDCOM products generally use direct sequence spread spectrum, which provides for greater data throughput, longer range and less interference that SPEEDCOM's customers require in their network products.

Although there are many standards and frequencies that companies can adhere to or utilize, the core technology employed in SPEEDCOM's products is flexible enough to address the needs of both the licensed and unlicensed bands as well as the various types of transmission methods.

The market for SPEEDCOM's products is very competitive, and it is expected that competition will increase in the future, both with respect to the products SPEEDCOM currently offers, and those that it may develop in the future. Within the wireless industry, business is intensely competitive and is characterized by rapid technological change, frequent introduction of new products and evolving industry standards. SPEEDCOM's management believes that SPEEDCOM's principal competitive advantages in the fixed wireless broadband market include:

- expertise and familiarity with unlicensed 2.4 gigahertz spread spectrum technology, wireless data communication protocols and broadband technology;
- product performance, features, functionality and reliability;
- price/performance characteristics;
- timeliness of new product introductions;
- adoption of emerging industry standards;
- customer service and support;
- size and scope of distribution network; and
- brand name.

Within the fixed wireless broadband equipment industry, the primary competitors are Airspan, Motorola, Proxim, Nokia, Aironet (part of Cisco Systems) and Alvarion. SPEEDCOM also experiences competition from a number of smaller companies that provide wireless data communication products. In addition, SPEEDCOM competes with offerings from local telephone companies and public telephone and telegraph operators around the world. These offerings typically consist of a data connection a customer leases from the local telephone operator, typically as part of a multi-year contract for services. SPEEDCOM's products offer several advantages over telephone company based offerings: competitive performance, no recurring monthly payments, and return-on-investment often in less than six months. Because some telephone company based offerings can be used at distances greater than SPEEDCOM's products, the two types of solutions may also act as a complimentary solution for a customer. While some telephone company offerings have the advantage of being able to connect buildings at distances greater than can be done using wireless products, the two types of connections are not mutually exclusive and can be used in combination to connect remote buildings.

Business Strategy

Prior to entering into the Asset Purchase Agreement with P-Com, SPEEDCOM's strategy has been to continue providing a complete line of wireless broadband products to sell to Internet service providers and private data network users. SPEEDCOM intended to accomplish this strategy primarily through its existing product line and the internal development of new products and services. SPEEDCOM also intended to promote the wider use of its products by establishing strategic relationships with partners who can reach additional segments of the market. SPEEDCOM has also sought to merge with one or more companies which complement SPEEDCOM's product offerings in order to facilitate growth. If the Acquisition is completed, SPEEDCOM's strategy will be to reduce its operating expenses and seek out revenue generating products and operating businesses for possible investment, acquisition or merger. See the section entitled "Plans After the Acquisition" for more information regarding SPEEDCOM's plans after the Acquisition.

Existing and Future Products

SPEEDCOM offers a complete line of wireless broadband equipment. SPEEDCOM's high performance wireless bridge/router systems connect existing enterprise local area networks for point-to-point and point-to-multi-point, campus area, or metropolitan area networks. Within the current product line, SPEEDCOM offers eight SPEEDLAN products, which use unlicensed radio frequencies to communicate at 11 megabits per second at distances up to 25 miles, and two licensed microwave products, which use licensed radio frequencies to communicate at 52 or 155 megabits per second at distances up to ten miles. Because the performance and distance a particular product is capable of reaching varies depending on the end-user's network configuration, topography, and other engineering variables, these network performance values may vary from application to application. SPEEDCOM derives revenue to a lesser extent from wireless equipment installation and field support services, which are contracted with its resellers and directly with end-users. These services include radio frequency site survey and path analysis, equipment installation and on site trouble shooting of problems during operation of the equipment.

SPEEDCOM is developing additional SPEEDLAN products with smaller size, greater functionality and greater ease of use for new markets. Currently, SPEEDCOM is developing a next generation of fixed wireless broadband products, which are to be based on the 802.11a and/or 802.16 standards, operating in the 5.7 gigahertz band. SPEEDCOM expects that the new products will deliver throughput at rates up to 54 megabits per second, nearly five times as fast as today's SPEEDLAN products. SPEEDCOM intends to utilize its own proprietary board design and software, utilizing many off the shelf radio components available from one of several manufacturers of 54 megabits per second radio chip sets (currently being developed).

SPEEDCOM's research and development expenses during the fiscal years ended December 31, 2002 and 2001 were $256,170 and $424,299, respectively.

Licensed Technology and Intellectual Property

In January 2001, SPEEDCOM acquired worldwide rights to PacketHop(TM), a wireless routing software developed by SRI International for aggregate consideration of $1,599,500. Under the terms of the agreement, SPEEDCOM obtained rights to SRI International's PacketHop(TM) technology in the fixed wireless infrastructure market for certain specific frequencies below 6 gigahertz. SRI International received $360,000 in cash and a total of 325,000 shares of common stock of SPEEDCOM that was issued in four tranches. Each tranche was measured on the specific date that the stock was issued. As of June 30, 2003, the $360,000 in cash and the value of the shares at the date of grant less amortization are classified in intellectual property, net on SPEEDCOM's balance sheet, and are being amortized using the straight-line method over the six year term of the agreement. A refined version of the PacketHop(TM) technology provides the mesh capabilities in SPEEDCOM's 9000 series products.

Customers

No customer accounted for more than 10% of SPEEDCOM's revenue for the years ended December 31, 2002 or December 31, 2001. In addition, no customer accounted for more than 10% of SPEEDCOM's gross accounts receivable as of December 31, 2002. One customer accounted for 97% of SPEEDCOM's lease receivable as of December 31, 2002. Two customers accounted for 31% of SPEEDCOM's gross accounts receivable as of December 31, 2001. One customer accounted for 11% of SPEEDCOM's revenue for the six months ended June 30, 2002. No customer accounted for more than 10% of SPEEDCOM's revenue for the three months ended June 30, 2002 or for the three and six months ended June 30, 2003. Two customers accounted for 18% and 10% of SPEEDCOM's gross accounts receivable as of June 30, 2003. SPEEDCOM intends to continue to attempt to diversify and expand its customer base with its current limited resources and maintain overhead costs at low levels. A material curtailment of purchases by one or more significant customers of SPEEDCOM could have a material adverse effect on SPEEDCOM's business, financial condition, and results of operations.

Suppliers

Many of the key hardware and software components necessary for the assembly of SPEEDCOM's products are only available from a single supplier or from a limited number of suppliers. SPEEDCOM has experienced delays and shortages in the supply of components in the past and could experience delays and shortages in the future. SPEEDCOM generally does not maintain a significant inventory of components and does not have many long-term supply contracts with its suppliers. As a result, there is a significant risk that SPEEDCOM may not have access to materials to meet its customers' requirements. SPEEDCOM, on an on-going basis, searches for alternative vendors or analyzes whether in-house manufacturing would be more cost beneficial. In the event that a single supplier became unavailable, and another supplier could not be identified that manufactured the same product, SPEEDCOM would attempt to use an alternative product in the assembly or redesign the finished product.

Sales and Marketing

SPEEDCOM generates its sales through two primary means: direct sales to its larger strategic end customers and indirect sales through a distributor network consisting of telecommunications specialists that sell SPEEDCOM's products to a local or regional customer base, as well as provide post installation service, if any.

As of June 30, 2003, SPEEDCOM employed or had consultant contracts with 27 salespeople, technical support and system engineers who sell to certain end users (primarily Internet service providers and larger private data network clients). The sales force is also responsible for maintaining the distributor network sales channel. SPEEDCOM currently has over 350 distributors and other dealers.

Indirect sales (i.e., sales to dealers/value added resellers) have historically been SPEEDCOM's main source of revenue. SPEEDCOM will continue to support this business channel, expanding both domestically and internationally. Telemarketing, supported by sales engineers for design services, provides the primary sales engines, augmented, in part, by a direct sales team to reach large corporate and institutional accounts as well as telecommunication carriers and Internet service providers.

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

Employees

As of June 30, 2003, SPEEDCOM had approximately 56 full-time employees and consultants. None of SPEEDCOM's employees are represented by a labor union and SPEEDCOM believes that its relations with its employees are good.

Properties

As of December 31, 2002, SPEEDCOM leased approximately 40,000 square feet of office and light industrial space in Sarasota, Florida, which included 8,000 square feet of manufacturing capacity, under a lease with a remaining term of approximately 12 years. SPEEDCOM's rent, including maintenance, was approximately $59,000 per month for this facility. SPEEDCOM also leases offices in Sao Paulo, Singapore, and Shanghai.

In February 2003, SPEEDCOM renegotiated the lease for the Sarasota property, reducing the square footage leased from approximately 40,000 to approximately 17,000, and reducing the monthly rent from approximately $59,000 per month to approximately $25,000 per month. As consideration for this lease modification, SPEEDCOM paid to the landlord $100,000 for the lease modification and $150,000 for building modifications in order to convert the building from single tenant occupancy to multi-tenant occupancy. In March 2003, SPEEDCOM also began leasing 8,000 square feet in Sarasota, Florida from a landlord unaffiliated with its current landlord. This space serves as SPEEDCOM's new manufacturing facility. The rent for this facility is approximately $4,500 per month.

Legal Proceedings

SPEEDCOM is engaged from time to time in legal proceedings, but is not currently engaged in any legal proceedings that are expected to have a material effect on its business.

Market Price and Dividend Information

The following table sets forth the quarterly high and low per share closing sales price of SPEEDCOM's common stock for the periods shown, as quoted on the OTC Bulletin Board until February 2001, as quoted on the NASDAQ Small Cap Market until August 2002, and as quoted on the OTC Bulletin Board thereafter. (SPEEDCOM was listed on the NASDAQ Small Cap Market in February 2001 and delisted from the NASDAQ Small Cap Market in August 2002). The quotations represent stock prices between dealers and do not include retail mark-up, markdown or commission and may not represent actual transactions.

	High	Low

2003		
First Quarter	$0.06	$0.02
Second Quarter	$0.09	$0.04
Third Quarter	$0.13	$0.05
2002		
First Quarter	$0.94	$0.42
Second Quarter	$0.69	$0.11
Third Quarter	$0.19	$0.02
Fourth Quarter	$0.07	$0.04
2001		
First Quarter	$9.13	$3.44
Second Quarter	$5.25	$2.00
Third Quarter	$2.70	$0.92
Fourth Quarter	$1.35	$0.43

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

As of March 14, 2003, there were approximately 1,200 stockholders of record of SPEEDCOM's common stock (which amount does not include the number of stockholders whose shares are held of record by banks, brokerage houses or other institutions, but include each such institution as one stockholder).

Plans After the Acquisition

Assuming the Acquisition had occurred on September 2, 2003, upon the completion of the sale, after the payment of transaction-related costs and certain other outstanding obligations, SPEEDCOM would have had cash and/or accounts receivable available of approximately $200,000, shares of P-Com common stock having a market value of approximately $12,825,000, debt of approximately $2.0 million and no revenue producing business operations. Following closing, SPEEDCOM's immediate plan will be to reduce significantly its monthly overhead so as to best preserve its available cash while developing revenue generating opportunities. Specifically, SPEEDCOM's management intends to reduce its monthly expenses from approximately $500,000 per month (including non-cash expenses) to approximately $25,000 per month as a result of the Acquisition, and by reducing its employees, and its dependence upon outside professionals. SPEEDCOM will continue to spend limited amounts on salaries, insurance, rent, communications, and other normal general and administrative expenses.

Initially, SPEEDCOM will operate with two part-time employees. Mark Schaftlein, who currently is SPEEDCOM's interim chief financial officer, will become its chief executive officer, and he will remain as its interim chief financial officer. His mandate will be to develop business opportunities for SPEEDCOM. To this end, SPEEDCOM will seek out revenue generating products and operating businesses for possible investment, acquisition or merger. Mr. Schaftlein intends to seek and evaluate numerous operating businesses with the intent to increase stockholder value as a result of its investment in such operating subsidiaries or entities.

SPEEDCOM'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SPEEDCOM's management's discussion and analysis of financial condition and results of operations contain forward-looking statements, which involve risks and uncertainties. SPEEDCOM's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the section entitled "Risk Factors" beginning on page 7 of this joint proxy statement.

Critical Accounting Policies

Introduction

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. SPEEDCOM evaluates its estimates and judgments on an on-going basis. SPEEDCOM bases its estimates on historical experience and on assumptions that it believes to be reasonable under the circumstances. SPEEDCOM's experience and assumptions form the basis for its judgments about the carrying value of its assets and liabilities that are not readily apparent from other sources. Actual results may vary from what SPEEDCOM anticipates and different assumptions or estimates about the future could change SPEEDCOM's reported results. SPEEDCOM believes the following accounting policies are the most critical to SPEEDCOM, in that they are important to the portrayal of its financial statements and they require SPEEDCOM's most difficult, subjective or complex judgments in the preparation of its financial statements:

Revenue Recognition

SPEEDCOM recognizes revenue on its wireless communications products in accordance with SEC Staff Accounting Bulletin No. 101, "REVENUE RECOGNITION IN FINANCIAL STATEMENTS." Under these guidelines, SPEEDCOM defers revenue recognition on transactions if any of the following exist: persuasive evidence of an arrangement does not exist, title has not transferred, product payment is contingent upon performance of installation or service obligations, the price is not fixed or determinable or payment is not reasonably assured. SPEEDCOM accrues a provision for estimated returns concurrent with revenue recognition. In addition, SPEEDCOM defers revenue associated with long-term customer maintenance contracts. SPEEDCOM recognizes the value of these contracts on a straight-line basis over the length of the customer contract.

Allowances for Doubtful Accounts

Allowances for doubtful accounts receivable are maintained based on historical payment patterns, aging of accounts receivable, and actual write-off history. Allowances are also maintained for future sales returns and allowances based on an analysis of recent trends of product returns.

Impairment of Long-Lived Assets

In assessing the recoverability of its long-lived assets, SPEEDCOM must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, SPEEDCOM may be required to record impairment charges for these assets.

Years Ended December 31, 2002 and 2001

The following table sets forth the percentage of net revenues represented by certain items in SPEEDCOM's Statements of Operations for the periods indicated.

	Fiscal Year Ended December 3	
	2002	2001
Net revenues	100%	
Cost of goods sold	59%	
Gross margin	41%	
Operating costs and expenses:		
Salaries and related	39%	
General and administrative	31%	
Selling expenses	13%	
Provision for bad debt	6%	
Depreciation and amortization	9%	
Severance costs	8%	
	106%	
Loss from operations	(65)%	
Other expense:		
Interest expense, net	(4)%	
Other expense, net	(1)%	
	(5)%	
Net loss before extraordinary items	(70)%	
Extraordinary loss from early extinguishment of debt	--	
Net loss	(70)%	
Assumed dividend from beneficial conversion feature of preferred stock	--	
Net loss attributable to common stockholders	(70)%	

SPEEDCOM's net revenues decreased 47% from approximately $14,460,000 for the year ended December 31, 2001 to approximately $7,676,000 for the year ended December 31, 2002. This decrease was due to unexpected delays in spending decisions by SPEEDCOM's potential and current customers during 2002 as compared to 2001. This factor, combined with the challenging economic environment in both the United States of America and overseas, contributed to disappointing results. Revenues from customers in foreign geographic areas decreased to 46% of revenues for the year ended December 31, 2002 as compared to 53% of revenues the year ended December 31, 2001.

Cost of goods sold decreased 47% from approximately $8,567,000 for the year ended December 31, 2001 to approximately $4,502,000 for the year ended December 31, 2002, due to decreases in SPEEDCOM's revenues. However, as a result of managing product costs and maintaining pricing levels, gross margin as a percentage of sales increased slightly to 41.3% during the year ended 2002, compared to 40.7% during the year ended December 31, 2001.

Salaries and related, general and administrative and selling expenses decreased by 39% from approximately $10,458,000 for the year ended December 31, 2001 to approximately $6,372,000 for the year ended December 31, 2002. This decrease was primarily due to a decrease in salaries and related expenses of approximately $2,369,000 related to decreased headcount, a decrease in general and administrative expenses of approximately $1,029,000 related to reduced spending on professional services, travel, investor relations and consultants, partially offset by increases in rent expense, and a decrease in selling expenses of approximately $688,000 related primarily to reduced trade show participation.

Provision for bad debts decreased 52% from approximately $873,000 during the year ended December 31, 2001 to approximately $420,000 for the year ended December 31, 2002. During the year ended December 31, 2002, SPEEDCOM converted two of its leases receivable, recorded at approximately $1,290,000, into a new lease receivable with approximately $336,000 which was due and collected immediately, five payments of $50,000 due over a five-month period and a balloon payment of approximately $328,000 due in August 2002. As a result of this restructuring of the leases, SPEEDCOM recorded a provision for bad debt of approximately $395,000 for the year ended December 31, 2002.

In the fourth quarter of 2000 and in the first and second quarters of 2001, SPEEDCOM sold products from its SPEEDLAN product line for approximately $574,000 to a large Korean based company ("Korean Customer"). One of the major clients of SPEEDCOM's customer declared bankruptcy early in 2001, which had a significant financial impact on the Korean Customer. SPEEDCOM recorded a provision for bad debt of approximately $456,000 during the year ended December 31, 2001 related to the remaining balance of the receivable. Excluding these two significant unusual items in each of the years, provisions for bad debts decreased 94% from approximately $417,000 for the year ended December 31, 2001 to approximately $25,000 during the year ended December 31, 2002. The decrease is a result of significantly lower accounts receivable balances at 2002 compared to 2001 plus the use of letters of credit and other instruments that had the effect of minimizing credit risk in 2002.

During the year ended December 31, 2002, SPEEDCOM recorded severance costs of approximately $630,000 in accordance with the separation agreements, as amended, between SPEEDCOM and its former Chief Executive Officer and its former Chief Operating Officer. The costs include severance pay and other employee benefits, including amounts to be paid over future periods and the write off of notes receivable-related party, as discussed below. During 2001, SPEEDCOM sold its InstallGuys division to SPEEDCOM's former Chief Executive Officer. In return, SPEEDCOM received two 6% secured promissory notes in the aggregate principal amount of approximately $211,000. In October 2001, SPEEDCOM loaned InstallGuys an additional $50,000 at 6% interest. The notes and interest were due in August 2004. As a stipulation to the separation agreement, as amended, between SPEEDCOM and its former Chief Executive Officer, SPEEDCOM forgave all indebtedness owed by InstallGuys. Consequently, SPEEDCOM charged the notes receivable-related party to severance expense during the year ended December 31, 2002.

During the year ended December 31, 2001, SPEEDCOM recorded severance costs of approximately $532,000, reflecting employee termination costs relating to staff reductions. The staff reductions included 20 employees (two at the executive management level) and were completed in the third and fourth quarters of 2001. The costs include severance pay and other employee benefits, including amounts to be paid over future periods. SPEEDCOM is currently in default on the two executive management severance agreement payment plans.

SPEEDCOM's interest expense decreased from approximately $3,173,000 for the year ended December 31, 2001 to approximately $396,000 for the year ended December 31, 2002. This decrease was due to notes payable and loans from stockholders that were converted to preferred stock during 2001. The conversion of the loans to preferred stock triggered substantial interest expense related to the unamortized portion of the discount on the convertible loans. Interest income decreased from approximately $111,000 for the year ended December 31, 2001 to approximately $64,000 for the year ended December 31, 2002 as a result of fewer leasing agreements.

SPEEDCOM recorded an extraordinary loss from the early extinguishment of debt related to the conversions of loans and debt to preferred stock and warrants during 2001 of approximately $3,786,000. When the nonconvertible loans originated, value was allocated to warrants based on the Black-Scholes pricing model. This value was being amortized over the maturity of the loans. When the loans were converted to preferred stock, Series A Warrants and Series B Warrants, the difference in the carrying value as compared to the combined fair value of the warrants and preferred stock was immediately expensed to loss from the early extinguishment of debt.

Net loss attributable to common stockholders decreased 72% from approximately $18,944,000, or $1.96 per share, in 2001 to approximately $5,356,000, or $0.47 per share, in 2002 as a result of the foregoing factors.

During 2001, SPEEDCOM converted (i) redeemable preferred stock, (ii) Series A Warrants, (iii) Series B Warrants that were issued in June 2001 and (iv) loans to stockholders in exchange for (i) preferred stock, (ii) Series A Warrants and (ii) Series B Warrants. This conversion was due to SPEEDCOM's commitment to the holders of its redeemable preferred stock and warrants issued in June 2001 that if SPEEDCOM issued similar instruments at more favorable terms, SPEEDCOM would adjust the terms of the securities issued in June 2001 to be equal to the more favorable terms. As such, the conversion ratio was changed to two shares of common stock for each share of preferred stock rather than the ratio of one share of common stock for each share of preferred stock applicable to the preferred stock issued in June 2001. SPEEDCOM has recorded an assumed dividend of approximately $2,292,000, which equals the increase in the intrinsic value of the preferred stock based on the incremental number of shares of common stock that may be obtained on conversion of the preferred stock into common stock valued at the price per share on the date of issuance.

Also in 2001, SPEEDCOM issued (i) preferred stock, (ii) Series A Warrants and (iii) Series B Warrants for approximately $2,397,000 in cash, net of stock issuance costs. The preferred stock has a beneficial conversion feature valued at approximately $1,479,000 based on the value of the warrants and the ability to convert the preferred stock to two shares of common stock. This amount is recorded as an assumed dividend from beneficial conversion feature because the preferred stock was convertible when issued.

The terms of the preferred stock provide that if SPEEDCOM has not executed a definitive agreement with respect to a bona fide merger, stock sale or sale of all or substantially all of SPEEDCOM's assets, which would result in a change of control of SPEEDCOM prior to December 28, 2001, the conversion price shall be adjusted so that each share of preferred stock shall convert into 2.25 shares of common stock. Because SPEEDCOM did not meet these terms, the conversion price of the preferred stock was adjusted so that each share of preferred stock shall convert into 2.25 shares of common stock. During the year ended December 31, 2001, SPEEDCOM recorded an assumed dividend from beneficial conversion feature of approximately $1,502,000, which equals the increase in the intrinsic value of the preferred stock based on the incremental number of shares of common stock that may be obtained on conversion of the preferred stock into common stock valued at the price per share on the issuance dates. The following table sets forth the percentage of net revenues represented by certain items in SPEEDCOM's Statements of Operations for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30	
	2003	2002	2003	2002
Net revenues	100%	100%	100%	1
Cost of goods sold	70%	64%	64%	
Gross margin	30%	36%	36%	
Operating costs and expenses:				
Salaries and related	66%	56%	49%	
General and administrative	52%	51%	47%	
Selling expenses	18%	13%	16%	
Provision for bad debt	4%	2%	2%	
Depreciation and amortization	21%	13%	15%	
Severance costs	10%	40%	4%	
	171%	175%	133%	1
Loss from operations	(141)%	(139)%	(97)%	(1
Other (expense) income:				
Interest expense	(19)%	(5)%	(12)%	
Interest income	0%	1%	0%	
Other expense, net	(0)%	(3)%	(0)%	
	(19)%	(7)%	(12)%	
Net loss	(160)%	(146)%	(109)%	(1

Six Months Ended June 30, 2003 and June 30, 2002

Net revenues decreased 26% from approximately $3,338,000 for the six months ended June 30, 2002 to approximately $2,459,000 for the six months ended June 30, 2003. This decrease was due to price reductions by SPEEDCOM, unexpected delays in spending decisions by both potential and current customers during 2003 as compared to 2002 and component shortages created by cash flow issues. These factors, combined with the challenging economic environment in both the United States of America and overseas, contributed to disappointing results. Revenues from customers in foreign geographic areas increased to 59% of revenues for the six months ended June 30, 2003 as compared to 52% of revenues the six months ended June 30, 2002. The percentage of sales from international customers is expected to decrease slightly during the remainder of the year ended December

31, 2003.

Cost of goods sold decreased 19% from approximately $1,964,000 for the six months ended June 30, 2002 to approximately $1,582,000 for the six months ended June 30, 2003, due to decreases in SPEEDCOM's revenues. In addition, gross margin as a percentage of sales decreased five percentage points from 41% for the six months ended June 30, 2002 to 36% for the six months ended June 30, 2003 as