

Edgar Filing: P COM INC - Form S-1

P COM INC
Form S-1
December 19, 2003

As Filed with the Securities and Exchange Commission on December 19, 2003
Registration No.: 333-

=====

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

FORM S-1
Registration Statement
Under
The Securities Act of 1933

P-COM, INC.
(Exact name of Registrant as specified in its charter)

Delaware 3663 77-0289371
(State or other jurisdiction of (Primary Standard Industrial (I.R.S. Employer
incorporation or organization) Classification Code Number) Identification No.)

P-Com, Inc.
3175 S. Winchester Blvd.
Campbell, CA 95008
(408) 866-3666
(Address, Including Zip Code, and Telephone Number, Including Area Code,
of Registrant's Principal Executive Offices)

Samuel Smookler
Chief Executive Officer
P-Com, Inc.
3175 S. Winchester Boulevard
Campbell, CA 95008
(408) 866-3666
(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent For Service)

Copy to:
C. Thomas Hopkins, Esq.
Sheppard, Mullin, Richter & Hampton LLP
800 Anacapa Street
Santa Barbara, CA 93101
(805) 568-1151

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering

Edgar Filing: P COM INC - Form S-1

pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

----- CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount of Shares to be Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)
Common Stock, par value \$0.0001 per share (2)	602,250,239 (3)	\$0.14	\$84,315,034

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based upon the average of the bid and asked prices per share of P-Com common stock, as reported on the OTC Bulletin Board on December 16, 2003.
- (2) Each share includes one right to purchase shares of P-Com's series A junior participating preferred stock pursuant to P-Com's rights agreement dated October 1, 1997, as amended.
- (3) Pursuant to Rule 416 under the Securities Act of 1933, as amended, this registration statement also covers an additional indeterminate number of shares of Common Stock that may be issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

=====

TABLE OF CONTENTS

Edgar Filing: P COM INC - Form S-1

PROSPECTUS SUMMARY.....

 P-Com's Business.....

 The Offering.....

RISK FACTORS.....

STATEMENT REGARDING FORWARD-LOOKING INFORMATION.....

USE OF PROCEEDS.....

BUSINESS

 Overview.....

 Industry Background.....

 Broadband Wireless Implementation.....

 Global Privatization and Deregulation: Stimuli to Broadband Wireless Access Growth.....

 Network Architecture Bottlenecks.....

 The P-Com Strategy.....

 Range of Product Choices.....

 Technology.....

 Services.....

 Manufacturing and Testing.....

 Sales Channels and P-Com Customers.....

 Research and Development.....

 Sales and Marketing.....

 Competition.....

 Government Regulation.....

 Intellectual Property.....

 Employees.....

 Properties.....

 Legal Proceedings.....

 Market Price and Dividend Information.....

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

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION.....

Edgar Filing: P COM INC - Form S-1

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS.....

ii

Subject to Completion. Dated December 19, 2003

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

[LOGO]
P-COM

602,250,239 Shares

P-Com, Inc.

Common Stock

The shares of common stock of P-com, Inc. covered by this prospectus may be sold from time to time by the selling stockholders identified in this prospectus. This prospectus relates to 602,250,239 shares of P-Com common stock, of which:

- o 167,947,533 are shares of P-Com's common stock that are currently outstanding and may in the future be sold from time to time by certain selling stockholders;
- o 11,578,185 are shares that may in the future be issued to certain selling stockholders upon conversion of P-Com's outstanding Series B Convertible Preferred Stock;
- o 217,490,860 are shares that may in the future be issued to certain selling stockholders upon conversion of P-Com's outstanding Series C Convertible Preferred Stock;
- o 16,666,667 are shares that may in the future be issued to certain selling stockholders upon conversion of P-Com's outstanding Series D Convertible Preferred Stock; and
- o 188,566,994 are shares that may in the future be issued to certain selling stockholders upon the exercise of certain warrants to purchase shares of P-Com's common stock.

P-Com will not receive any of the proceeds from the sale of the shares of common stock by the selling stockholders. P-Com may receive proceeds from the exercise of the warrants held by the selling stockholders if they opt to pay the exercise price in cash rather than executing a cashless exercise.

The shares of common stock may be sold through broker-dealers or in privately negotiated transactions in which commissions and other fees may be charged. These fees, if any, will be paid by the selling stockholders. P-Com has no agreement with any broker-dealer with respect to these shares and is unable to estimate the commissions that may be paid in any given transaction. For a

Edgar Filing: P COM INC - Form S-1

more complete description of the methods of distribution that the selling stockholders may use, see "Plan of Distribution" beginning on page 65.

P-Com common stock is traded on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. under the symbol "PCOM." On December 18, 2003, the last sale price of P-Com common stock was \$0.15 per share.

An investment in the shares of P-Com common stock offered by this prospectus entails a high degree of risk. See "Risk Factors" beginning on page 4 for information that should be considered by prospective investors before buying shares of P-Com common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated December __, 2003

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus, and it may not contain all of the information that is important to you. You should read the entire prospectus carefully, including the section entitled "Risk Factors," the consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision.

P-Com's Business

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.

On December 10, 2003, P-Com acquired the Wave Wireless Networking division of SPEEDCOM Wireless Corporation ("SPEEDCOM") and related assets, in consideration for the issuance to SPEEDCOM of 63,500,000 shares of P-Com's common stock, and the assumption of certain of its liabilities. Wave Wireless Networking ("Wave Wireless") specializes in manufacturing, configuring and delivering custom broadband wireless access networking equipment, including the SPEEDLAN family of wireless Ethernet bridges and routers, for business and residential customers internationally. The acquisition provides P-Com with complimentary unlicensed point-to-point and spread spectrum wireless access systems.

P-Com's executive offices are located at 3175 S. Winchester Boulevard, Campbell, California 95008, and P-Com's telephone number is (408) 866-3666.

Edgar Filing: P COM INC - Form S-1

The Offering

This prospectus relates to the registration for resale of up to 602,250,239 shares of P-Com's common stock that were issued or are issuable in connection with the following transactions:

- o In September 2002, P-Com issued a warrant to purchase up to 300,000 shares of common stock to Silicon Valley Bank in connection with the opening of a credit facility. The exercise price for the common stock underlying the warrant is \$0.10 per share.
- o In April 2003, P-Com issued 1,500,000 shares of common stock to Liviakis Financial Communications, Inc. in consideration for certain financial, public and investor relations services provided to P-Com.
- o In April 2003, P-Com issued 3,000,000 shares of common stock to Cagan McAfee Capital Partners, LLC in consideration for certain investment banking and other services provided to P-Com.
- o In May 2003, P-Com issued 2,400,000 shares of common stock to one of its vendors, HeliOss Communications, in consideration for the release of some of P-Com's obligations to the vendor.
- o In March, May and July 2003, P-Com issued Series A Warrants to purchase 4,074,075 shares of common stock at an initial exercise price of \$0.12 per share and Series B Warrants to purchase 5,703,704 shares of common stock at an initial exercise price of \$0.20 per share. However, no holder of Series A Warrants or Series B Warrants may exercise any of these warrants if the exercise would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 4.999% of P-Com's outstanding common stock. As of December 18, 2003, none of the outstanding Series A Warrants or Series B Warrants had been exercised. The number of shares of common stock

1

issuable upon exercise of these warrants is subject to adjustment for stock splits, stock dividends and similar transactions and for certain dilutive issuances.

- o In August 2003, P-Com issued 1,000,000 shares of its common stock to one of its landlords, Bryan Family Partnership II in consideration for the release of some of P-Com's obligations to the landlord.
- o In August 2003, P-Com issued approximately 1,000,000 shares of Series B Convertible Preferred Stock, with a stated value of \$21.138 per share, upon the conversion of approximately \$21 million of its 7% Convertible Subordinated Notes due 2005. Each share of Series B Convertible Preferred Stock is convertible into a number of shares of common stock equal to the stated value divided by a conversion price of \$0.20. The holders of the Series B Convertible Preferred Stock are obligated to convert their shares into shares of common stock as soon as reasonably practicable. However, no holder of Series B Convertible Preferred Stock may convert its shares into shares of common stock if the conversion would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 9.999% of P-Com's outstanding common stock. As of December 18, 2003, approximately 890,451 shares of

Edgar Filing: P COM INC - Form S-1

Series B Convertible Preferred Stock had been converted into approximately 94,111,727 shares of common stock and approximately 109,549 shares of Series B Convertible Preferred remained outstanding. The shares of Series B Convertible Preferred Stock that remain outstanding are convertible into approximately 11,578,185 shares of common stock, subject to the limitation on conversion described above. The number of shares of common stock issuable upon conversion of the Series B Convertible Preferred Stock is subject to adjustment for stock splits, stock dividends and similar transactions.

- o In October and December 2003, P-Com issued and sold approximately 9,942 shares of Series C Convertible Preferred Stock, with a stated value of \$1,750 per share. Together with the Series C Convertible Preferred Stock, P-Com also issued Series C Warrants to purchase 124,170,082 shares of common stock, in the aggregate. Each share of Series C Convertible Preferred Stock is convertible into a number of shares of common stock equal to the stated value plus accrued and unpaid dividends, if any, divided by an initial conversion price of \$0.10. Based on this conversion price, the outstanding shares of Series C Convertible Preferred Stock are convertible into approximately 173,992,688 shares of P-Com's common stock. However, no holder of Series C Convertible Preferred Stock or any Series C Warrants may convert or exercise any of these securities into shares of common stock if the conversion or exercise would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 9.999% of P-Com's outstanding common stock. As of December 18, 2003, none of the outstanding shares of Series C Convertible Preferred Stock had been converted into shares of common stock and none of the Series C Warrants had been exercised. The number of shares of common stock issuable upon conversion or exercise of these securities is subject to adjustment for stock splits, stock dividends and similar transactions and for certain dilutive issuances.
- o In December 2003, P-Com issued 2,000 shares of its Series D Convertible Preferred Stock, with a stated value of \$1,000 per share, in partial consideration for the extinguishment of its obligations under three promissory notes in the aggregate original principal amount of \$3,000,000. Each share of Series D Convertible Preferred Stock is convertible into a number of shares of common stock equal to the stated value, divided by an initial conversion price of \$0.15. Based on this conversion price, the outstanding shares of Series D Convertible Preferred Stock are convertible into approximately 13,333,333 shares of P-Com's common stock. However, no holder of Series D Convertible Preferred Stock may convert its shares into shares of common stock if the conversion would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 9.999% of P-Com's outstanding common stock. As of December 18, 2003, none of the outstanding shares of Series D Convertible Preferred Stock had been converted into shares of common stock. The number of shares of common stock issuable upon conversion of the Series D Convertible Preferred Stock is subject to adjustment for stock splits, stock dividends and similar transactions.

- o In December 2003, P-Com consummated its acquisition of substantially all of the assets of SPEEDCOM Wireless Corporation, and in

Edgar Filing: P COM INC - Form S-1

consideration for those assets, P-Com issued 63,500,000 shares of its common stock to SPEEDCOM Wireless Corporation.

- o In December 2003, P-Com issued 1,363,636 shares of its common stock to United Manufacturing Assembly, Inc. ("UMAI"), in consideration for the reduction of \$150,000 in accounts payable to UMAI.
- o In December 2003, P-Com issued warrants to purchase 350,000, 2,600,000, and 3,600,000 shares of its common stock to Carlos Belfiore, Samuel Smookler and Cagan McAfee Capital Partners, LLC ("CMCP"), respectively, in consideration for a reduction in the number of options granted to Messrs. Belfiore and Smookler and CMCP. This reduction in the number of options was due to a limitation in the maximum number of shares issuable to any single person or entity under P-Com's 1995 Stock Option/Stock Issuance Plan.

As part of each transaction described above, P-Com agreed to register the resale of the shares of common stock issued and any shares of common stock that are issuable upon the conversion or exercise of the convertible securities issued in those transactions. P-Com is registering these shares of common stock for resale by the selling stockholders named in this prospectus. The prices at which the stockholders may sell their shares will be determined by the prevailing market for the shares or in negotiated transactions. See the section entitled "Selling Stockholders" on page 59 and the section entitled "Plan of Distribution" on page 65.

3

RISK FACTORS

An investment in P-Com 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 prospectus, including the financial statements and the related notes, before you decide whether to invest in P-Com common stock. P-Com's business, operating results and financial condition could be harmed by any of the following risks. The trading price of P-Com common stock could decline due to any of these risks, and you could lose all or part of your investment.

Risks Related to P-Com's Financial Condition and Operations

Continuing weakness in the telecommunications equipment and services sector has adversely affected the operating results, future growth and stability of P-Com's business. P-Com cannot sustain itself at the currently depressed sales levels.

The worldwide slowdown in the telecommunications equipment and services sector has been severe, and continues. P-Com expects these conditions to continue to adversely affect P-Com, its financial condition and results of operations. 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

Edgar Filing: P COM INC - Form S-1

past years, including a significant slowdown for P-Com in 1998 and 2001, and continuing through 2003. This slowdown shows no substantial signs of improvement. 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 will 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 substantially reduce costs, or 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 September 30, 2003, P-Com's aggregate net loss is approximately \$355.8 million. At September 30, 2003, 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 \$12.2 million as of September 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 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'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 going concern difficulties, its future capital requirements

4

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. P-Com's history of substantial operating losses will 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, additional significant dilution to its stockholders could result.

If P-Com is unable to increase sales, decrease costs, or obtain additional equity or debt financing, 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

Edgar Filing: P COM INC - Form S-1

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.

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 nine-month period ended September 30, 2003, sales to four customers accounted for 56% of total sales. The loss of any one of these customers would have an immediate and material effect on P-Com's 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 September 30, 2003, four customers accounted for 67% 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, continental Europe, and Latin America. 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 most of its orders. Enforcement of the specific terms of the agreement would 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-Farion 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

Edgar Filing: P COM INC - Form S-1

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 significantly reduce costs, develop new products in a timely manner or in the event it fails 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.

Edgar Filing: P COM INC - Form S-1

Global economic conditions have had a depressing effect on sales levels in the past three years. The soft economy and reported slowdown in capital spending in 2001, 2002 and 2003 in the United States and European telecommunications markets have had a significant depressing effect on the sales levels in each of these 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.

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

6

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.

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

Edgar Filing: P COM INC - Form S-1

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.

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.

7

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 fourth 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

Edgar Filing: P COM INC - Form S-1

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, China, and Latin America, 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 nine-month period ended September 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:

- o changes in regulatory requirements;

8

- o costs and risks of localizing systems (homologation) in foreign countries;
- o 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;
- o timing and availability of export licenses, tariffs and other trade barriers;

Edgar Filing: P COM INC - Form S-1

- o difficulties in staffing and managing foreign operations, branches and subsidiaries;
- o difficulties in managing distributors;
- o terrorist activities;
- o 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;
- o potentially adverse tax consequences; and
- o difficulty in accounts receivable collections, if applicable.

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.

Edgar Filing: P COM INC - Form S-1

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.

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

P-Com signed an Agreement and Plan of Merger with Telaxis Communications Corporation, dated September 9, 2002. This 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. This acquisition effort was terminated in April 2003. On June 16, 2003, P-Com entered into an Asset Purchase Agreement with SPEEDCOM Wireless Corporation to acquire substantially all of the assets of SPEEDCOM (the "SPEEDCOM Acquisition"). The SPEEDCOM Acquisition closed on December 10, 2003. P-Com may not be able to close any strategic acquisition on the timetable it anticipates, if at all. P-Com has and may further incur significant non-recoverable expenses in these efforts.

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

Achieving the benefits of the SPEEDCOM 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 SPEEDCOM 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

Edgar Filing: P COM INC - Form S-1

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 SPEEDCOM Acquisition, which could adversely affect P-Com's business.

10

Integrating P-Com's and SPEEDCOM's operations is expected to negatively affect SPEEDCOM's sales, and will divert management's attention away from its day-to-day operations.

Integration of P-Com's and SPEEDCOM's operations, products and personnel is expected to negatively affect SPEEDCOM's sales in the fourth quarter of 2003. In addition, the SPEEDCOM Acquisition is expected to place a significant burden on P-Com's management and its internal and financial resources. The negative affect on SPEEDCOM's sales during the fourth quarter of 2003, and the diversion of P-Com management's attention and any difficulties encountered in the transition and integration process, will negatively affect P-Com's financial condition, and could negatively affect P-Com's business.

The SPEEDCOM Acquisition will continue to result in significant costs to P-Com.

The SPEEDCOM Acquisition has resulted, and will continue to result in significant costs to P-Com. As of December 10, 2003, P-Com had loaned SPEEDCOM approximately \$1.58 million, which indebtedness was assumed by P-Com in connection with the SPEEDCOM Acquisition. Transaction costs were approximately \$250,000. These costs consisted primarily of fees for attorneys, accountants, filing fees and financial printers. Additional costs will be incurred in connection with the integration of the assets and business of SPEEDCOM. In addition to transaction costs, P-Com assumed approximately \$630,000 in accounts payable of SPEEDCOM, and assumed certain other liabilities in connection with the SPEEDCOM Acquisition. These liabilities are expected to continue to affect P-Com's financial condition in the short-term.

Risk Relating to Capital Markets and P-Com Common Stock

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

Edgar Filing: P COM INC - Form S-1

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.

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 including the issuances of Series B Convertible Preferred Stock in August 2003 and Series C Convertible Preferred Stock in October and December 2003. When the shares of common stock that are issuable upon conversion of these securities are subsequently sold in the public market, the trading price of P-Com common stock may be negatively affected. As of December 18, 2003, the last reported sale price of P-Com common stock was \$0.15. Future sales of P-Com's common stock, particularly shares issued upon the exercise or conversion of outstanding or newly issued

11

securities upon exercise of its outstanding options, could have a significant negative effect on the market price of P-Com's common stock. 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.

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

In March, May and July 2003, P-Com issued warrants to purchase approximately 9.8 million shares of its common stock. In August 2003, P-Com's remaining 7% Convertible Subordinated Notes due 2005 were converted into 1.0 million shares of Series B Convertible Preferred Stock which, in turn, are convertible into approximately 105.7 million shares of P-Com common stock. In October and December 2003, P-Com issued approximately 10,000 shares of Series C Convertible Preferred Stock together with warrants to purchase approximately 124.2 million shares of common stock. These shares of Series C Convertible Preferred Stock are convertible into approximately 174.0 million shares of common stock. In December 2003, P-Com issued 2,000 shares of Series D Convertible Preferred Stock which, in turn, are convertible into approximately 13.3 million shares of common stock. Although the conversion or exercise of these securities is subject to limitations that prevent any single holder from holding more than 4.999% or 9.999%, as the case may be, of P-Com's outstanding common stock, the conversion or exercise of these securities will nevertheless result in substantial dilution to P-Com's existing stockholders.

In December 2003, P-Com also issued 63,500,000 shares of its common stock in connection with the SPEEDCOM Acquisition. This issuance resulted in substantial dilution to P-Com's existing stockholders.

A recent amendment to P-Com's bylaws increases P-Com's ability to conduct financing transactions using its equity securities and, as a result, may cause further dilution to P-Com's stockholders.

Edgar Filing: P COM INC - Form S-1

At P-Com's 2003 annual meeting of stockholders, P-Com's stockholders approved a proposal to amend P-Com's bylaws. As a result of this amendment, P-Com may 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.

12

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

Edgar Filing: P COM INC - Form S-1

P-Com's outstanding voting stock.

13

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus 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. You should read statements that contain these words carefully because they may discuss P-Com's future expectations, contain projections of P-Com's future results of operations or of P-Com's financial position or state other forward-looking information. P-Com believes that it is important to communicate its future expectations to its investors. However, there may be events in the future that P-Com is able to accurately predict or control. The factors listed above in the section captioned "Risk Factors," as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause P-Com's actual results to differ materially from any expectations that P-Com describes. Actual results or outcomes may differ materially from those predicted in P-Com's forward-looking statements due to the risks and uncertainties inherent in its business, including risks and uncertainties in:

- o P-Com's ability to achieve positive cash flow given the Company's existing and anticipated operating and other costs, and current sales trends;
- o P-Com's ability to attract additional customers, therefore, decreasing its reliance on a limited number of customers for a material portion of its sales;
- o The possible need to raise additional equity capital, and whether that capital is available on acceptable terms, if at all;
- o P-Com's ability to negotiate repayment terms with many of its creditors, and settle outstanding litigation;
- o Market conditions including a continued severe worldwide slowdown in the telecommunications equipment and services sector;
- o Fluctuations in customer demand, pricing and competition;
- o P-Com's reliance upon subcontractors;
- o The ability of P-Com's customers to finance their purchases;
- o The timing of new technology and product introductions;
- o The risk of early obsolescence.
- o P-Com's ability to protect its intellectual property; and
- o obtaining and maintaining regulatory approval where required;

You should also consider carefully the statements under "Risk Factors" beginning on page 4 and other sections of this prospectus and in the other documents filed with the SEC, which address factors that could cause P-Com's 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 P-Com's management's view only as of the date of this prospectus. P-Com

Edgar Filing: P COM INC - Form S-1

will not update any forward-looking statements to reflect events or circumstances that occur after the date on which such statement is made.

14

USE OF PROCEEDS

P-Com will not receive any of the proceeds from the sale of the shares of common stock by the selling stockholders. If and when all or a portion of the Series B Convertible Preferred Stock, Series C Convertible Preferred Stock and Series D Convertible Preferred Stock are converted into shares of common stock, P-Com will not receive any proceeds from the conversion. If and when all or a portion of the warrants held by the selling stockholders are exercised, P-Com will receive the proceeds from the exercise of those warrants to the extent that the exercise price is paid in cash. However, warrants held by the selling stockholders may be exercised through a cashless exercise, in which event, P-Com will not receive any proceeds from the exercise. If these warrants are exercised and the exercise price is paid in cash, P-Com will receive approximately \$24.8 million, which would be used by P-Com for working capital and other general corporate purposes.

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, (including 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, and during the first nine months of 2003. P-Com currently has \$4.0 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

Edgar Filing: P COM INC - Form S-1

attractive to broadband access providers from a viewpoint of cost efficiency, applications and ease of deployment.

On December 10, 2003, P-Com acquired the Wave Wireless Networking division of SPEEDCOM Wireless Corporation ("SPEEDCOM") and related assets, in consideration for the issuance to SPEEDCOM of 63,500,000 shares of P-Com's common stock, and the assumption of certain of its liabilities (the "Acquisition"). Wave Wireless Networking ("Wave Wireless") offers custom broadband wireless access networking equipment, including the SPEEDLAN family of wireless Ethernet bridges and routers, for security-related government, business and residential customers in the U.S. and internationally. Internet service providers, telecommunications carriers and other service providers, and private organizations in the U.S. and internationally use Wave Wireless' 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. Wave Wireless' flagship product, SPEEDLAN 9000, offers two key features as market differentiators: 128 bit over-the-air encryption and self-healing mesh networking. Wave Wireless' products provide high-performance broadband fixed wireless solutions specifically designed for building-to-building local area network connectivity and wireless Internet distribution.

15

Wave Wireless' wireless products are designed to meet the "backbone" and "last-mile" needs of three distinct market sectors: the government/security market, the service provider market and the enterprise market. Increasingly, the private and the government sector have insisted on products that incorporate security features, resulting in the development of new markets. Specifically, a need has developed for video surveillance and secure communications - whether voice or data. Video or VoIP (Voice over IP) can be transported with special prioritization by the SPEEDLAN products and all data transported in a SPEEDLAN network can be optionally encrypted with Department of Defense approved encryption. 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, Wave Wireless' wireless broadband products provide the user with lower cost of ownership and significantly reduced installation time compared to alternative wired solutions.

As a result of the SPEEDCOM Acquisition, P-Com is able to add the SPEEDLAN product family to its unlicensed point-to-point and spread spectrum wireless product portfolio. In addition, P-Com gains greater access to the enterprise and government markets through sales channels established by Wave Wireless.

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

Edgar Filing: P COM INC - Form S-1

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.

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,

16

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.

Network Architecture Bottlenecks

Edgar Filing: P COM INC - Form S-1

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 a 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.
- o Outsource manufacturing to reduce costs. Following the acquisition of Wave Wireless, P-Com shut down Wave Wireless' manufacturing facility in Sarasota, Florida, instead relying on a contract manufacturer to manufacture the SPEEDLAN product beginning in January 2004. P-Com is looking at additional opportunities to outsource manufacturing of its point-to-point product family. Utilization of

Edgar Filing: P COM INC - Form S-1

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.
- o Leverage the distribution and sales network established by Wave Wireless to increase sales of P-Com's unlicensed point-to-point spread spectrum products in domestic and international markets. Wave Wireless maintains a significant sales presence both internationally and domestically. With the addition of Wave Wireless' products, P-Com's sales force will now be able to offer a more complete solution within the newly-enhanced sales channel.

Range of Product Choices

Overview. 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.

Edgar Filing: P COM INC - Form S-1

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 can be rapidly deployed; it is highly efficient,

18

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, P-Com's and its competitors' point-to-multipoint products operating in the high bandwidth licensed spectrum have not gained sufficient market share in the wireless broadband market, and it is unclear when sales of these products will materialize, if at all. However, the unlicensed point-to-multipoint market remains strong, especially with the recent popularity of Wireless Internet products.

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.

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.

Wave Wireless. As a result of the acquisition of the Wave Wireless division of SPEEDCOM Wireless Corporation, P-Com is able to offer additional wireless broadband equipment, serving the enterprise market. Wave Wireless' high performance wireless bridge/router systems connect existing enterprise local area networks for point-to-point and point-to-multipoint, campus area, or metropolitan area networks. Within the current product line, Wave Wireless offers eight SPEEDLAN products, which use unlicensed radio frequencies to communicate at 11 megabits per second at distances up to 25 miles, and two OEM 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.

P-Com intends to develop additional SPEEDLAN products with smaller size, greater functionality and greater ease of use for new markets, including developing a next generation of fixed wireless broadband products, which are to be based on the 802.11a/g and/or 802.16 standards, operating in the 5.7

Edgar Filing: P COM INC - Form S-1

gigahertz band. P-Com 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. P-Com intends to utilize a proprietary board design and software acquired from SPEEDCOM, utilizing many off the shelf radio components available from one of several manufacturers of 54 megabits per second radio chip sets (currently being developed).

Technology

P-Com's technological approach to 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.

19

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

Edgar Filing: P COM INC - Form S-1

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.

Services

On April 30, 2003, P-Com entered into an Asset Purchase Agreement with JKB Global, LLP 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, P-Com successfully upgraded to ISO 9001:2000. 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.

20

Beginning January 2004, P-Com intends to outsource manufacturing of Wave Wireless' SPEEDLAN family of products, and is looking at additional opportunities to outsource manufacturing of its point-to-point product family.

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.

In 2002, P-Com's customers included:

Customer	Percentage of 2002 Revenue
----------	-------------------------------

Edgar Filing: P COM INC - Form S-1

-----	-----
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. During the first nine months of 2003, sales to Myntahl Corporation, Orange Personal Communications, Vodafone and T-Mobile accounted for 12%, 20%, 12% and 12%, respectively, of total sales. 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. P-Com 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

Edgar Filing: P COM INC - Form S-1

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.

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 Networks, Ericsson, Harris-Farion 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 may also face competition in the future from new market entrants offering competing technologies. P-Com's results of operations may depend in

Edgar Filing: P COM INC - Form S-1

part upon the extent to which customers who choose to rely on

22

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 has 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,

Edgar Filing: P COM INC - Form S-1

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.

23

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 United 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,

Edgar Filing: P COM INC - Form S-1

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 December 1, 2003, P-Com and its subsidiaries employed a total of 151 employees, including 78 in Operations, 25 in Research and Development, 24 in Sales and Marketing and 24 in Administration. Twenty-four employees were added on December 10, 2003 as a result of the acquisition of Wave Wireless. 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	Functions	Square Footage	Date Lease Expires
Headquarters, Campbell, CA	Administration/Customer Support/Sales/Engineering; Manufacturer	61,000	November 2005
Campbell, CA (1)	Manufacturing/Research	30,000	July 2003
Redditch, England (2)	Sales/Customer Support	5,500	July 2003
Watford, England (3)	Research/Development	7,500	April 2008

24

Redditch, England	Warehouse	6,800	September 2004
Dulles, VA (4)	Administration	8,750	September 2003
Sterling, VA (5)	Administration	8,750	September 2003
Phoenix, AZ (6)	Services	2,540	January 2003
Melbourne, FL (7)	Research/Development	8,697	July 2004
Beijing, China	Sales/Customer Support	3,180	July 2004
Sarasota, FL	Sales/Customer Support	16,522	November 2015
Sarasota, FL	Manufacturing	8,000	February 2006
Shanghai, China	Sales/Customer Support	1,115	August 2004

Edgar Filing: P COM INC - Form S-1

-
- (1) Facility was closed in February 2003, and by agreement with the landlord, the lease terminated in July 2003.
 - (2) Facility was closed in April 2002, and by agreement with the landlord, the lease was terminated in September 2003.
 - (3) Facility was closed in April 2002, and by agreement with the landlord, the lease was terminated in November 2003.
 - (4) Facility was closed in February 2003, and by agreement with the landlord, the lease was terminated in September 2003.
 - (5) Facility was occupied by P-Com Network Services, Inc. until June 2003. By agreement with the landlord, the lease was terminated in September 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, \$100,000 on September 1, 2003, and is obligated to pay 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 filed a response to the Motion that the payments made by Winstar Communications, Inc. are not voidable preference payments under the United States Bankruptcy Code. P-Com and Winstar are currently in negotiations to settle the claims.

25

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

Edgar Filing: P COM INC - Form S-1

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, second, and third 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 December 1, 2003, there were 611 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

P-Com has not paid any cash dividends on shares of its common stock. P-Com does not anticipate paying any cash dividends in the foreseeable future.

Edgar Filing: P COM INC - Form S-1

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,