

244 Fifth Ave., 2nd Fl., Ste. 2801 • New York, NY 10001 • Tel: (212) 726 1408 • Fax: (413) 215 0880**METRICOM, Inc. (NASDAQ: MCOM)****Update:** Expanding coverage network
ACCUMULATE

January 25, 2001

Key Considerations

- On December 12, 2000 Metricom launched the Detroit and Denver markets with its Ricochet 128 kbps wireless data service. The company's new Ricochet service delivers user speeds of 128 kbps and is currently available in 14 markets. Metricom's Ricochet network currently covers roughly 33 million of people in these markets, which should eventually reach 56 million when these markets will be fully deployed.
- The company keeps generating negative cash flow from operating activities and might require additional cash resources of approximately \$500 million in order to complete the three-phase deployment of its network that will cover a total number of 46 markets. The company is only funded through mid 2001. Considering the current volatility of public equity and debt markets, financing the company's expansion won't be an easy task for the company's management.
- Metricom added IP Communications as a distribution partner for its Ricochet service in Texas. We believe that it is a positive sign that the company's plans call for expansion of its current network of channel distribution partners, however we believe that the addition of IP as a channel partner won't make any difference since IP communications only plans to distribute in Texas.
- We expect to see increases in subscriber growth for the first quarter of 2001 as the company is expanding its coverage network and WorldCom, GoAmerica and Aether finally intensify their marketing efforts and start offering the new PC-card modem.

Recent Price	\$11.56
52WK Low	\$5.63
52WK High	\$109.50
P/E	N/A
P/Book	0.97
P/Sales	22.57
Market Capitalization	\$355.87 M
Shares Outstanding	30.78 M
Float	10.50 M
Daily Volume (3-month Average)	1.71 M
EPS	
1998	(\$4.63)
1999	(\$5.13)
2000E	(\$7.74)
Current Ratio	6.34
Total Debt to Equity	0.26
LT Debt to Equity	0.26
Total Cash per Share	\$23.21

ONE-YEAR PRICE AND VOLUME GRAPH**COMPANY PROFILE**

Metricom, Inc. is a leading provider of mobile wireless data access to corporate networks and the Internet, based on the data rates provided to users of Metricom, Inc.'s new high-speed service. The company has designed its new high-speed service, marketed under the Ricochet(R) brand name, to meet the needs of the growing number of professionals who require full access to their corporate networks and the Internet. This service will also appeal to consumers who desire high-speed mobile access to the Internet. Simply by connecting a wireless modem to a laptop computer or portable electronic device, users can access their corporate networks and the Internet whenever they want and wherever they are within service areas, just as they would with a wired modem.

This report was prepared by Dimosthenis A. Kostopoulos, MBA and David R. Rivas, Ph.D.

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Industry Outlook and Competition

The market for data access and communications services is characterized by rapidly changing technology and evolving industry standards in both the wireless and wireline industries as customers demand greater speed and increased access and mobility. Metricom's success depends to a substantial degree on the company's ability to develop and introduce, in a timely and cost-effective manner, enhancements to its high-speed service and new products that meet changing user requirements and evolving industry standards.

On the other hand, wired data access technologies, such as digital subscriber lines provide faster data rates than Metricom's high-speed network and this may affect user perceptions as to the attractiveness of the company's wireless service. Increased data rates also may result in the widespread development and acceptance of applications that require a higher data transfer rate than Metricom's high-speed service provides.

Competition in the market for data access and communications services is intense, and that could force the company to reduce prices, which would result in reduced gross margins and cause the company to lose market share as well as harm the growth of its business and the results of its operations. A number of privately and publicly held communications and data access companies, such as Qualcomm, Inc. and Sprint Corp., have developed new wireless and wired communications and data access services and products using technologies that compete with Metricom's. Some of these services have operated for many years and are already broadly deployed in major markets and well recognized. Many of these companies have significantly greater resources, more established brand names and larger customer bases than Metricom does.

In addition, several companies in various other industries, such as the satellite communications industry, are expected to enter the market for high-speed data access in the near future. Further, Metricom faces increasing competition from Internet service providers that offer Internet, online or data access services at prices lower than those offered by Metricom's channel partners, which could limit the company's ability to increase its user base and cause the company to obtain lower than anticipated selling prices as well as incur additional selling, marketing and product development expenses.

Strategies for Growth, Alliances and Strategic Partnerships

Metricom plans to expand into 46 markets over a relatively short period of time. Unless the company devises a restructuring plan so that it can realize significant product and component cost reductions, its competitive position and the company's ability to achieve profitability could be impaired. The company is currently working with several companies to develop low-cost personal computer card modems, as well as smaller and lower cost external modems.

We estimate that a substantial marketing effort from the company's channel partners behalf will be necessary in order to stimulate demand for Metricom's high-speed service. WorldCom, which is one of Metricom's major service distributors, only just recently announced immediate availability of its Ricochet-based service "WorldCom Wireless Internet" in the following seven markets: Atlanta, Dallas, Houston, New York City, Minneapolis, Phoenix, and San Diego. In addition, WorldCom says it plans to offer the service in more than 30 cities nationwide by year-end and launch the following markets in the first quarter: Baltimore, Denver and Detroit. However, in our opinion the fact that WorldCom delayed a full marketing rollout of the Ricochet service should have a negative impact on Metricom's fourth quarter subscriber growth estimates. Some of the other channel partners include Aether Systems, Juno, WWC and GoAmerica. Although Aether Systems plans to begin selling service in the first quarter of 2001, GoAmerica as well as WWC are currently selling the service through major retail stores and live online demonstrations. It is also remarkable the fact that during the third quarter of 2000 only Juno and WWC were actively marketing the Ricochet service and contributed to the subscriber growth. Metricom is currently seeking to enter into non-exclusive agreements with other channel partners and diversify its operational risk on being heavily dependent on its current channel partners' ability to effectively market and sell its high speed Ricochet service.

The company has recently placed its new high-speed network into commercial operation although the market for mobile wireless data access services is in the early stages of development and critical issues concerning wireless communications and data access, including security, reliability, cost, regulatory issues, ease of use and quality of service, remain unresolved and are likely to affect the demand for the company's high-speed service.

As we mentioned in our previous report, we believe that the company's high speed Ricochet service will compare favorably to available alternatives when the company's network will be deployed in sufficient metropolitan markets, as contemplated by the company's current deployment plan. Ricochet is positioned primarily as a portable service with its largest competitive advantages being portability, low flat rate pricing, due to the use of the packet switching technology and higher speed access to data than any other remote mobile wireless technology available today. Metricom should capitalize on its strong product and increase its brand awareness by intensifying its efforts to increase the number of its retail channel distributors. The company is currently negotiating a possible partnership with OmniSky.

Competitive and market factors require that Metricom should focus its efforts on deploying its high-speed network rapidly. The company estimates that a total number of 21 markets will be launched by the end of the first quarter of 2001, which should bring Metricom's total covered populations to over 80 million. As Metricom improves its current coverage population, we believe it will be much easier for the company to increase its distribution pipelines and stimulate demand for its high-speed Ricochet service.

Metricom also continues to increase coverage and capacity in the markets already launched. According to the management's comments, users of Metricom's new higher-speed service might experience difficulty in receiving and maintaining the company's 128kbps higher speed service and may occasionally be routed to the 28.8 service. As the company completes the deployment of its network, there is a plan to implement system modifications that should eliminate these high-speed service interruptions. We believe that as long as the company provides superior customer service, its ability to attract potential users of its high-speed service increases as well.

The company has negotiated contracts with utility companies and municipalities and it is estimated that the agreements cover a population of 67 million. During the third quarter Metricom has entered into several agreements with contractors for an additional 25 markets bringing the company's total build-out schedule to 46 markets.

Metricom has also announced its first wireless PCMCIA card for the Ricochet Network. On November 13th, Metricom and National Semiconductor introduced a new device called the Geode WebPAD Metro. The device is a 2G wireless personal access device with internet capability that features National Semiconductor's Geode GX1 processor and Microsoft's Windows CE 3.0 operating system, in a small form factor with wireless WAN connectivity. The Ricochet-Ready(TM) Geode Metro, which will be a production-ready solution for OEMs, offers the smallest form factor for wireless thin clients, as well as enhanced Web browsing, a familiar graphical interface and longer battery life.

Furthermore, Metricom and Citrix Systems, a global leader in application serving software and services, have recently announced demonstrations of their solution to wirelessly extend the reach of server-based applications at Citrix Solutions Summit(TM) 2001, the company's annual worldwide partner conference. The combination of Citrix software and Metricom's Ricochet(TM) network will allow applications running on Citrix(R) MetaFrame(TM) servers to be accessed by mobile professionals via the high-speed Ricochet network, which delivers mobile access wirelessly on a wide-area basis. We believe that the combination of Citrix application serving software and Ricochet will provide mobile and remote users a virtual office from which they can quickly access full-function applications that allow decision-making with real-time information.

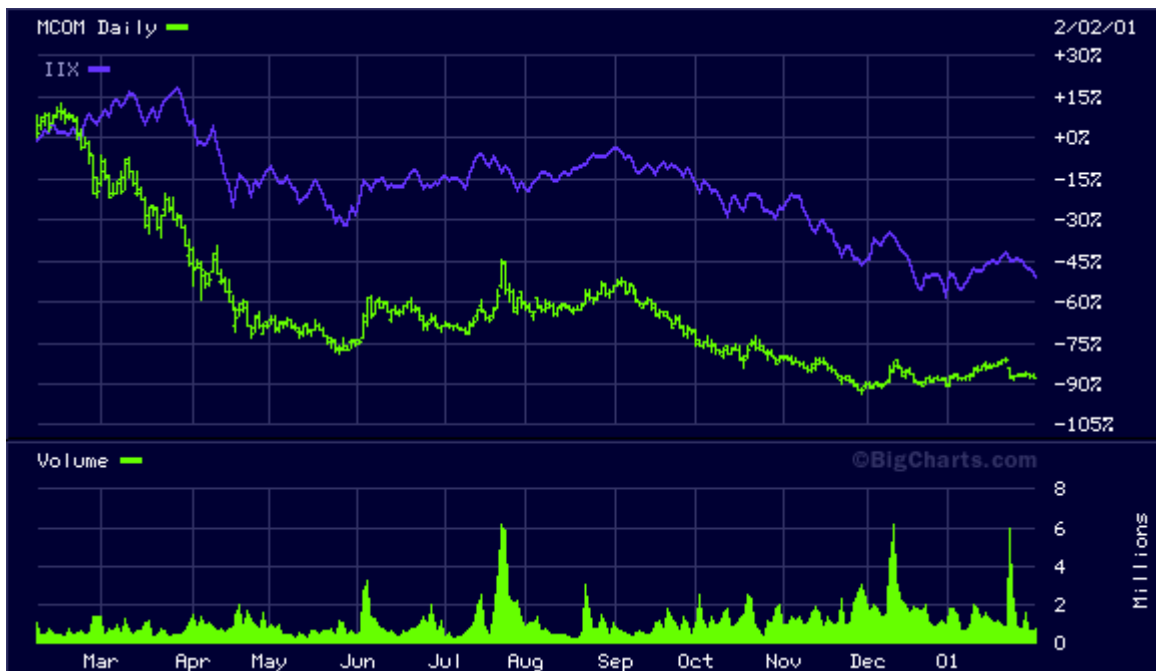
Key Risk Factors

The company has encountered delays in the deployment of its high-speed network in some markets due to municipality approvals and utility agreement negotiations. If the company continues to experience delays in some of its planned service markets or if it is unable to meet continuing deployment needs, such as continuing to deploy network radios and wired access points to maintain performance levels, Metricom's business will suffer. Initially company's management planned to launch the high-speed service in 12 markets during the late summer of 2000. By the end of the summer of 2000, the company had deployed its service in 9 markets. Although the company had planned to launch its service in Chicago and Los Angeles as part of the initial launch phase, it did not launch in these markets during that phase due to delays in obtaining zoning approvals and negotiating utility agreements. In addition, in one market, New York City, they have not deployed the service in all areas of the market because of delays in obtaining necessary local regulatory clearances. In Washington, D.C. and Seattle access is available only at 28.8 kilobits per second as Metricom continues construction of the network infrastructure for the high-speed service.

The deployment of its service also depends on the company's ability to lease space for wired access points on building rooftops or on transmission towers owned by third parties, and there is substantial competition from a variety of communications companies for these sites. The rate at which the company is acquiring these leases has been slower and the cost of acquiring these leases has been higher than anticipated.

The company still depends on sole or limited source suppliers for many of the principal components of its network, including network radios and wired access points. Some of the suppliers have experienced shipment delays, either as a result of capacity limitations at their production facilities or because they were unable to obtain raw materials or parts necessary for the network components they manufacture. Some of these supply shortages are ongoing. The company also depends on third-party suppliers to provide data communications circuits required to deploy its network.

Valuation and Investment Opinion



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- We expect Metricom to incur significant operating losses and generate negative cash flow from operating activities. In addition to the funds currently on hand, the company might require additional cash resources of approximately \$500 million in order to be able to complete the third phase deployment of its network. The company is only funded through mid 2001. Considering the current volatility of public equity and debt markets, financing the company's expansion won't be an easy task for the company's management. However we believe that the company could capitalize on its strategic partnership with Vulcan Ventures and raise capital in the private equity markets.
 - As we said before, we strongly believe that the company's high speed Ricochet service will compare favorably to available alternatives when the company's network will be deployed in sufficient metropolitan markets to cover a cumulative population of at least 100 million, as contemplated by the company's current deployment plan. The company enjoys a significant first-move market advantage in providing high-speed wireless Internet access and could play a leading role in the third generation wireless data services industry. The company has already announced its first wireless PCMCIA card for the Ricochet Network. The device is a 2G wireless personal access device with internet capability that features National Semiconductor's Geode GX1 processor and Microsoft's Windows CE 3.0 operating system, in a small form factor with wireless WAN connectivity.
 - We believe that the company's stock performance over the next year will be a function of three variables: substantial coverage expansion, ability to add a significant number of retail distribution partners and ability to secure additional funding so that the company will have enough working capital to finance the third phase of its deployment network.
 - Over the last 12 months the company has under-performed the Internet Index. Since beginning of February 2000, the company's stock lost more than 90% of its value. The downward trend can be attributed to a positive correlation with the stock market, which has not performed well in this period due to fears of economic recession and disappointing earnings announcements. However we are optimistic that the Federal Reserve as well as the Congress will eventually manage to stimulate the economy and the capital markets by decreasing short-term interest rates and providing effective tax cut relief.
 - We believe that the company's short-term stock performance will be subject to enormous volatility given that the company might have to raise an additional capital of \$500 million during the second quarter of 2001. On the other hand, we expect to see increases in subscriber growth for the first quarter of 2001 as the company is expanding its coverage network and WorldCom, GoAmerica and Aether intensify their marketing efforts and start offering the new PC-card modem. The company has proved its market leadership and although it might not be able to meet its estimates for the fourth quarter of 2000 we still believe that the stock has a significant upside potential. If the company manages to finance and complete its deployment network according to its schedule, it could eventually be a strong buy. Therefore, for the next quarter, we give Metricom an ACCUMULATE recommendation.

Metricom, Inc. - Consolidated Statement of Operations (in 000's except per share data)

	FY98	1Q99	2Q99	3Q99	4Q99	FY99	1Q00	2Q00	3Q00	4Q00E	FY00E	1Q01E	2Q01E	3Q01E
Revenues														
Service Revenues	\$8,419	\$2,431	\$2,195	\$2,531	\$2,931	\$10,088	\$2,334	\$2,135	\$2,068	\$1,580	\$8,117	\$940	\$1,125	\$945
Product Revenues	\$7,440	\$1,755	\$2,468	\$2,264	\$1,950	\$8,437	\$889	\$1,72	\$1,864	\$2,500	\$5,425	\$4,500	\$9,250	\$14,250
Total Revenues	\$15,859	\$4,186	\$4,663	\$4,795	\$4,881	\$18,525	\$3,223	\$2,307	\$3,932	\$4,080	\$13,542	\$5,440	\$10,375	\$15,195
Cost of Revenue														
Cost of Service Revenue	\$28,310	\$4,433	\$4,071	\$4,551	\$7,645	\$20,700	\$11,693	\$21,701	\$32,919	\$36,500	\$102,813	\$58,000	\$62,500	\$69,000
Cost of Product Revenue	\$5,050	\$1,326	\$2,011	\$1,403	\$1,274	\$6,014	\$300	\$1,627	\$2,418	\$11,925	\$16,270	\$4,250	\$0	\$0
Total Cost of Revenue	\$33,360	\$5,759	\$6,082	\$5,954	\$8,919	\$26,714	\$11,993	\$23,328	\$35,337	\$48,425	\$119,083	\$62,250	\$62,500	\$69,000
Gross Profit (Loss)	(\$17,501)	(\$1,573)	(\$1,419)	(\$1,159)	(\$4,038)	(\$8,189)	(\$8,770)	(\$21,021)	(\$31,405)	(\$44,345)	(\$105,541)	(\$56,810)	(\$52,125)	(\$53,805)
Operating Expenses														
General and Administrative	\$22,934	\$4,140	\$4,099	\$4,785	\$6,856	\$19,880	\$7,989	\$12,356	\$10,345	\$23,250	\$53,940	\$28,450	\$31,500	\$47,250
Research & Development	\$27,313	\$8,235	\$8,559	\$8,103	\$10,081	\$34,978	\$9,623	\$9,201	\$13,210	\$11,557	\$43,591	\$9,500	\$11,500	\$13,500
Provision for Net Replacement	\$14,392	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation & Amortization			\$1,065	\$1,114		\$2,179	\$2,057	\$2,428	\$3,963	\$9,745	\$18,193	\$15,000	\$25,000	\$35,000
Total Operating Expenses	\$64,639	\$12,375	\$13,723	\$14,002	\$16,937	\$57,037	\$19,669	\$23,985	\$27,518	\$44,552	\$115,724	\$52,950	\$68,000	\$95,750
Operations Income (Loss)	(\$82,140)	(\$13,948)	(\$15,142)	(\$15,161)	(\$20,975)	(\$65,226)	(\$28,439)	(\$45,006)	(\$58,923)	(\$88,897)	(\$221,265)	(\$109,760)	(\$120,125)	(\$149,555)
Interest Income	\$1,915	\$143	\$186	\$259	\$4,230	\$4,818	\$16,593	\$17,193	\$17,637	\$7,675	\$59,098	\$3,500	\$1,250	\$675
Interest Expense	\$3,939	\$1,213	\$1,601	\$1,752	\$1,318	\$5,884	\$7,471	\$3,522	\$239	\$10,387	\$21,619	\$14,250	\$17,500	\$16,500
Net Income (Loss)	(\$84,164)	(\$15,018)	(\$16,557)	(\$16,654)	(\$18,063)	(\$66,292)	(\$19,317)	(\$31,335)	(\$41,525)	(\$91,609)	(\$183,786)	(\$120,510)	(\$136,375)	(\$165,380)
Preferred Dividends	\$0	\$0	\$0	\$0	\$38,234	\$38,234	\$12,942	\$12,939	\$12,942	\$12,940	\$51,763	\$12,940	\$12,940	\$12,940
Income Available to Com.	(\$84,164)	(\$15,018)	(\$16,557)	(\$16,654)	(\$56,297)	(\$104,526)	(\$32,259)	(\$44,274)	(\$54,467)	(\$104,549)	(\$235,549)	(\$133,450)	(\$149,315)	(\$178,320)
Basic and Diluted EPS	(4.63)	(0.80)	(0.86)	(0.80)	(2.51)	(5.13)	(1.15)	(1.44)	(1.77)	(3.22)	(7.74)	(4.41)	(4.60)	(5.91)
Diluted Shares Outstanding	18,195	18,873	19,296	20,889	22,440	20,375	28,160	30,654	30,747	32,500	30,425	30,250	32,450	30,150
Margin Analysis as a % of Revenue														
Gross Margin	-110.35%	-37.58%	-30.43%	-24.17%	-82.73%	-44.21%	-272.11%	-911.18%	-798.70%	-1086.89%	-779.36%	-1044.30%	-502.41%	-354.10%
General and Administrative	144.61%	98.90%	87.90%	99.79%	140.46%	107.31%	247.87%	535.59%	263.10%	569.85%	398.32%	522.98%	303.61%	310.96%
Research & Development	172.22%	196.73%	183.55%	168.99%	206.54%	188.82%	298.57%	398.83%	335.96%	283.26%	321.89%	174.63%	110.84%	88.85%
Operating Margin	-517.94%	-333.21%	-324.73%	-316.18%	-429.73%	-352.10%	-882.38%	-1950.85%	-1498.55%	-2178.85%	-1633.92%	-2017.65%	-1157.83%	-984.24%
Net Margin	-530.70%	-358.77%	-355.07%	-347.32%	-370.07%	-357.85%	-599.35%	-1358.26%	-1056.08%	-2245.32%	-1357.16%	-2215.26%	-1314.46%	-1088.38%
Growth %														
Total Revenue	NA	0.00%	11.40%	2.83%	1.79%	16.81%	0.00%	-28.42%	70.44%	3.76%	-26.90%	0.00%	90.72%	46.46%
Gross Profit	NA	0.00%	9.79%	18.32%	-248.40%	53.21%	0.00%	-139.69%	-49.40%	-41.20%	-1188.81%	0.00%	8.25%	-3.22%
Operating Expense	NA	0.00%	10.89%	2.03%	20.96%	-11.76%	0.00%	21.94%	14.73%	61.90%	102.89%	0.00%	28.42%	40.81%
Net Income	NA	0.00%	-10.25%	-0.59%	-8.46%	21.23%	0.00%	-62.21%	-32.52%	-120.61%	-177.24%	0.00%	-13.16%	-21.27%