AZZURRA HOLDING CORP
Form 10QSB
May 30, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2007

OR

[__] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File No. 0-25356

AZZURRA HOLDING CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE (State or other Jurisdiction of Incorporation or Organization)	77-0289371 (I.R.S. Employer Identification No.)
6080 Centre Drive, Suite 600, Los Angeles, California (Address of Principal Executive Offices)	90045 (Zip Code)

(310) 880-7792
(Issuer's telephone number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES /_/ No /X /

As of May 30, 2008 there were 100,000, shares of the Registrant's common stock outstanding, par value $0.01 per share.

Transitional Small Business Disclosure Format (Check one): Yes /_/; No /X/

AZZURRA HOLDING CORPORATION

TABLE OF CONTENTS

Azzurra Holding Corporation (the “Company”) filed for a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code, with the United States Bankruptcy Court for the District of Delaware (the “Court”). The Court confirmed a Joint Plan of Reorganization (the “Joint Plan”). You should carefully consider all documents filed by us with the Securities and Exchange Commission before purchasing our common stock.

2

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AZZURRA HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,190	$ 1,849
Accounts receivable	254	391
Inventory	4	4
Note receivable	426	426
Total current assets	2,874	2,670
SPEEDLAN automated test equipment	16	16
Goodwill	100	100
Total assets	$ 2,990	$ 2,786
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 134	$ 408
Accounts payable subject to compromise	1,191	1,191
Other accrued liabilities	50	589
Other accrued liabilities subject to compromise	2,126	1,812
Deferred revenue subject to compromise	1,322	1,322
Derivative liability for excess shares subject to compromise	30	30
Current maturities of long-term debt subject to compromise	3,379	3,319
Total current liabilities and total liabilities	8,232	8,671
Commitments and contingencies (Note 8)	-	-
Stockholders' deficit:		
Series E Preferred Stock	332	332
Series G Preferred Stock	3,224	3,224
Series J and J-1 Preferred Stock	16,824	16,824
Common stock, par value $0.0001 per share; 250 million shares authorized; 75,111 shares issued; 75,081 shares outstanding	8	8
Treasury stock, at cost; 30 shares	(74)	(74)
Additional paid-in capital	391,660	391,660

Accumulated deficit	(417,216)	(417,859)
Total stockholders' deficit	(5,242)	(5,885)
Total liabilities and stockholders' deficit	$ 2,990	$ 2,786

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

Table of Contents

AZZURRA HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

(UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31, 2007		FOR THE THREE MONTHS ENDED MARCH 31, 2006	
Sales	$	323	$	448
Cost of sales		58		220
Gross profit		265		228
Operating expense:				
Research and development		-		534
Selling and marketing		-		488
General and administrative		237		487
Bankruptcy expenses		126		-
Total operating expenses		363		1,509
Loss from operations		(98)		(1,281)
Other income (expenses):				
Interest expense		(373)		(9,507)
Gain on settlement of accrued liabilities		556		-
Other income, net		558		-
Income (loss) before discontinued operations		643		(10,788)
Loss from discontinued operations		-		(12)
Net income (loss) attributable to common stockholders	$	643	$	(10,800)
Basic and diluted loss per common share				
Income (loss) from continuing operations	$	0.01	$	(0.00)
Income (loss) from discontinued operations	$	0.00	$	(0.45)
Basic and diluted loss per common share	$	0.01	$	(0.45)
Weighted average number of common shares outstanding, basic and diluted		75,111		23,774

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

Table of Contents

AZZURRA HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

(UNAUDITED)

	MARCH 31, 2007	MARCH 31, 2006
Cash flows from operating activities:		
Net income (loss)	$ 643	$ (10,800)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	-	65
Loss on conversion of promissory notes	-	7,643
Amortization of discounts on promissory notes and warrants	-	870
Securities issued to consultants	-	733
Gain on settlement of accrued liabilities	(556)	-
Gain on disposal of property and equipment	(13)	(30)
Gain on vendor settlements	-	(26)
Changes in operating assets and liabilities:		
Accounts receivable	137	519
Inventory	-	263
Prepaid expenses and other assets	-	132
Accounts payable	117	310
Other accrued liabilities	-	108
Net cash flows from operating activities	328	(213)
Cash flows from investing activities:		
Proceeds from sale of patents and equipment	13	30
Net cash received on acquisition of WaveRider	-	169
Net cash provided by investing activities	13	199
Cash flows from financing activities:		
Payments on bank loan	-	(729)
Proceeds from debt financing (net of cash fees of $101 in 2006)	-	989
Net cash provided by financing activities	-	260
Net increase in cash and cash equivalents	341	246
Cash and cash equivalents at beginning of the period	1,849	380
Cash and cash equivalents at end of the period	$ 2,190	$ 626
Supplemental cash flow disclosures:		
Cash paid for interest	$ -	$ 140

Non-cash investing and financing activities:				
Warrants issued in connection with convertible promissory notes	$	-	$	261
Conversion of debt into Series J Preferred Stock	$	-	$	2,869

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

5

Table of Contents

AZZURRA HOLDING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results of operations and for the periods presented have been included. Operating results for the three months ended March 31, 2007 and 2006 are not necessarily indicative of the results that may be expected for the fiscal year. The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date, but does not included all of the information and footnotes required by GAAP for complete financial statements.

You should read these consolidated financial statements together with the historical consolidated financial statements for the Company for the years ended December 31, 2006 and 2005, included in our Annual report on Form 10-KSB for the year ended December 31, 2006, filed with the Securities and Exchange Commission ("SEC") on December 27, 2007 (the "Annual Report").

2. PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Bankruptcy Proceedings and Accounting

On October 31, 2006 ("Petition Date"), Azzurra Holding Corporation, formerly known as Wave Wireless Corporation (the "Company"), filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the "Code") in the United States Bankruptcy Court for the District of Delaware ("Court") (the "Bankruptcy Petition"). The Company's significant operating losses, working capital deficit, defaults on certain outstanding debentures, together with the significant cash required to maintain operations, delays in commercializing next-generation products, and the loss of a key executive, precipitated the need to seek protection under Chapter 11 of the Code.

On April 5, 2007, the Company and the Committee of Unsecured Creditors ("Creditors Committee") filed a Joint Plan of Reorganization with the Court ("Joint Plan"), which Joint Plan was amended and restated and filed with the Court on May 2, 2007. The Joint Plan was confirmed by the Court on June 14, 2007. Under the terms and conditions of the Joint Plan, as confirmed by the Court, holders of our equity interests as of the effective date of the Joint Plan, June 28, 2007, have terminated. The Joint Plan contained the following additional major provisions:

SDS Capital Group SPC, Ltd. ("SDS") became the owner of 80% of the issued and outstanding shares of common stock, which includes 70% received under the terms of the Joint Plan, and an additional 10% as a result of SDS' participation in the Equity Financing, described below. In addition, all priority unsecured claims and administrative claims were paid in full, through either: (i) payment on the effective date of the Joint Plan; (ii) payment through an escrow account established with a Plan Administration Trust ("Trust"); or (iii) payment from the reorganized Company following the allowance of a claim. The initial funding for the Trust was $250,000. less certain professional fees and other charges set forth in more detail in the Joint Plan. This initial funding was provided from funds that were otherwise distributable to SDS. The Trust is responsible for, among other things, objecting to general unsecured claims and making distributions, as appropriate, to holders of general unsecured claims. The Joint Plan also permitted general unsecured claimants and preferred stockholders to participate in an equity financing ("Equity Financing"), pursuant to which each party was permitted to purchase a portion of 30,000 shares of new common stock at $1.00 per share, based upon the terms and conditions set forth in the Joint Plan. As a result of the Equity Financing, three preferred stockholders each acquired 10,000 shares of common stock.

AZZURRA HOLDING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Joint Plan required that the Company issue a Contingent Promissory Note in favor of the trust (“Contingent Note”). The Contingent Note provides for a further recovery to the Trust under the terms of the Joint Plan in the event SDS receives a distribution under the Joint Plan that exceeds $2,476,658, plus all fees and expenses accrued under the Contingent Note (the “Maximum Amount”). Under the terms of the Contingent Note, if SDS receives an amount in excess of the Maximum Amount, the Company will pay to the Trust an amount equal to 50% of any cash that remains or has accrued after (i) satisfying the Maximum Amount and all other distributions or dividends required under the Joint Plan, (ii) reserving cash sufficient to satisfy, in full, all obligations of, and claims against, the Company that have accrued during the one year period following the effective date of the Joint Plan, and (iii) reserving reasonably sufficient cash, in the Company's sole discretion, to fund ongoing business operations. The Contingent Note terminates on June 28, 2008. As of August 20, 2007, SDS has received $1.7 million under the terms of the Joint Plan. No amounts have been borrowed under this SDS Note.

In connection with the confirmation of the Joint Plan, the Company and SDS executed a Secured Promissory Note payable by the Company to SDS in the amount of $100,000 (the “SDS Note”). The SDS Note is held by the Company and will only be issued in the event the Company deems it necessary to provide for its working capital requirements. Any amounts due and payable SDS are secured by all assets of the Company under the terms of a Security Agreement.

As a result of the confirmation of the Joint Plan and emergence from bankruptcy, the amounts reported in subsequent financial statements will materially change due to the restructuring of the Company’s assets and liabilities as a result of the plan of reorganization and the application of the provisions of Statement of Position 90-7, “Financial Reporting by Entities in Reorganization under the Bankruptcy Code,” (SOP 90-7), with respect to reporting upon emergence from Chapter 11. Changes in accounting principles required under U.S. generally accepted accounting principles within 12 months of emerging from bankruptcy are required to be adopted at the date of emergence. Additionally, the Company may choose to make changes in accounting practices and policies at that time. For all of these reasons, financial statements for periods subsequent to confirmation of the Joint Plan and emergence from Chapter 11 will not be comparable with those of prior periods.

In accordance with SOP 90-7, the following represents the pro-forma impact of fresh start accounting on the March 31, 2007 balance sheet of the confirmation of the Joint Plan as if it had occurred on March 31, 2007:

	(000’s)
Cash	$ 2,190(1)
Other current assets	684
Total current assets	2,874
Goodwill and other assets	116
Total assets	$ 2,990
Current and total liabilities	$ 928(2)(3)
Common stock	1(4)
Additional paid-in capital	2,061

Total liabilities and stockholders' equity	$ 2,990

(1) This amount does not reflect subsequent cash receipts or any distributions under the Joint Plan, including the $1.7 million paid to SDS and $250,000 to the Trust.
(2) Included in this amount is $543,296 in liabilities reflected in the Company's financial statements as uninvoiced payables which may be subject to compromise and/or discharge by the Bankruptcy Court following proper notice to the applicable debtors and/or receipt of evidence necessary to support termination of such payables.
(3) Included in this amount are the accrued liabilities in the amount of $250,000 subsequently paid by the Trust.
(4) Common stock, par value $0.01 per share; 250,000 shares authorized; 100,000 shares issued and outstanding.

Table of Contents

AZZURRA HOLDING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and satisfaction of liabilities in the ordinary course of business. Accordingly, all pre-petition liabilities subject to compromise have been segregated in the balance sheet and classified as liabilities subject to compromise, at the estimated amount of allowable claims. As discussed below in “Discontinued Operations” and in Note 9 “Sale of Speedlan Product Line”, the Company has discontinued all of its operations as of August 2007. Additionally, as previously discussed in “Bankruptcy Proceedings and Accounting’, substantially all of the Company’s assets at March 31,2 007 have or are expected to be used in connection with the payment of obligations associated with the Joint Plan. Management is currently exploring opportunities to effect an acquisition of the Company by merger, exchange or issuance of securities or similar business combination.

Discontinued Operations

As a result of the sale by WaveRider Communications, Inc. (“WaveRider”), a wholly-owned subsidiary of the Company, of substantially all of its operating businesses, WaveRider has no continuing operations other than distributing its remaining cash for the benefit of its creditors. In addition, the Company disposed of its repair and maintenance business (“RMA Business”). The operations of these entities and business units have been segregated and shown as discontinued operations.

Following is a summary of Discontinued Operations for the three months ended March 31, 2007 and 2006 (in thousands):

	March 31, 2007	March 31, 2006
Revenue	$ -	$ 1,541
Cost of Sales	-	1,368
Gross Profit	-	173
Operating Expenses	-	185
Net Loss	$ -	$ (12)

Accounting Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainties in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48), on February 1, 2007. Adoption of FIN 48 did not have any impact on the Company’s financial statements.

The Company would recognize interest and penalties related to a liability for uncertain tax positions in income tax expense.

3. NET (LOSS) PER SHARE

Basic and diluted earnings (loss) per common share are computed by dividing the net income (loss) by the weighted average common shares outstanding. No options or warrants with an exercise price below market were outstanding for either period.

Table of Contents

AZZURRA HOLDING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. BORROWING AND OTHER OBLIGATIONS

At March 31, 2007, we were generally in default on all outstanding debt. Debt including interest thereon at March 31, 2007 consisted of the following (in thousands):

	March 31, 2007
Debenture financing, in default	$ 2,662
Note payable – SDS; in default	350
Note payable, former vendor, due in monthly installments of $35,000 through June 2006; in default	322
Other, in default	45
	$ 3,379

The above includes accrued interest of approximately $257,000.

5. BALANCE SHEET COMPONENTS

Other accrued liabilities consist of the following at March 31, 2007 and December 31, 2006 (in thousands):

	March 31, 2007	December 31, 2006
Compensation and employee benefits	$ -	$ 29
Legal and accounting	-	168
Customer deposit	50	50
Severance	-	102
Development work and royalty	-	240
	$ 50	$ 589

Other accrued liabilities subject to compromise, consist of the following at March 31, 2007 and December 31, 2006 (in thousands):

	March 31, 2007	December 31, 2006
Penalty for late filing of registration statement	$ 1,126	$ 819
Severance	553	553
Warranty	303	303
Other	144	137
	$ 2,126	$ 1,812

6. STOCKHOLDERS' EQUITY

Under the terms and conditions of the Joint Plan, as approved by the Court on June 14, 2007, holders of the Company’s common stock will not receive any distribution, and all of the rights of the common and preferred stockholders were terminated.

Table of Contents

AZZURRA HOLDING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At March 31, 2007, the authorized capital stock of the Company consisted of 250 million shares of common stock, $0.0001 par value, and 2.0 million shares of preferred stock, $0.0001 par value, including 500,000 shares of which were designated Series A Junior Participating Preferred Stock (the "Series A Preferred Stock"), 2,000 shares of Series E Preferred Convertible Preferred Stock (the "Series E Preferred Stock"), 250 shares of Series F Convertible Preferred Stock (the "Series F Preferred Stock"), 10,000 shares of Series G Convertible Preferred Stock (the "Series G Preferred Stock"), 2,000 shares of Series H Convertible Preferred Stock (the “Series H Preferred Stock”), 200 shares of Series I Convertible Preferred Stock (the “Series I Preferred Stock”), 1,250 shares of Series J Convertible Preferred Stock (the “Series J Preferred Stock”), and 300 shares of Series J-1 Convertible Preferred Stock.

At March 31, 2007, the Company had the following shares of common and preferred stock issued and outstanding:

	Preferred Stock Outstanding	Common Stock Equivalent
Common Stock	-	75,111,057
Series E Preferred Stock	692	1,800,000
Series G Convertible Preferred Stock	6,292	12,600,000
Series J Convertible Preferred Stock	1,247	124,700,000
Series J-1 Convertible Preferred Stock	121	12,100,000

7. SALES BY GEOGRAPHIC REGION AND CONCENTRATIONS

As a result of the sale of substantially all of the assets of WaveRider, and the sale of the Company’s RMA Business, revenue during the quarter ended March 31, 2007 was derived from the sale of the Company’s SPEEDLAN product line. SPEEDLAN sales during the quarter ended March 31, 2007 were substantially concentrated in a few U.S. based customers.

8. COMMITMENTS AND CONTINGENCIES

Default Under Registration Rights Agreement

The Company is in default under a registration rights agreement that it entered into with the owners of the Series J and J-1 Convertible Preferred Stock. Under the agreement the Company was required to file a registration statement on or before June 2, 2006. Failure to file the registration statement results in a penalty equal to 2% of the value of the securities for the first 30 days, or part thereof, and 1% for each subsequent 30 day period until the registration statement is filed. As of March 31, 2007, we have accrued an estimated penalty of $1,126,000 (See Note 5).

9. SUBSEQUENT EVENTS

Subsequent Event – Bankruptcy Proceedings

As described under Note 1, on April 5, 2007, the Company and the Committee of Unsecure Creditors ("Creditors Committee") filed a Joint Plan of Reorganization with the Court ("Joint Plan"), which Joint Plan was amended and restated and filed with the Court on May 2, 2007. The Joint Plan was confirmed by the Court on June 14, 2007. Under the terms and conditions of the Joint Plan, as confirmed by the Court, holders of our equity interests as of the effective date of the Joint Plan, June 28, 2007, have terminated. The Joint Plan contains a number of additional terms and conditions, set forth under Note 1.

AZZURRA HOLDING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event - Sale of SPEEDLAN Product Line

On August 10, 2007, the Company sold its remaining business, consisting of the SPEEDLAN product line, for and in consideration for $100,000, plus the assumption of all warranty obligations associated with the product line. The Company elected to sell its SPEEDLAN product line since sales of the product line had decreased substantially since confirmation of the Joint Plan, and since the cost to maintain, support and satisfy warranty obligations did not justify the continued sale of SPEEDLAN products by the Company. In addition, sales were not anticipated to increase due to the fact that the SPEEDLAN product was not competitive, in terms of price or features, with other product offered by more established, and financially stronger competitors. As a result of this sale, the Company has no operating business, and our management and Board of Directors are exploring opportunities to effect an acquisition of the Company by merger, exchange or issuance of securities or similar business combination.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements, which involve numerous risks and uncertainties. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, including without limitation, statements regarding the Company's expectations, beliefs, intentions or strategies regarding the future. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Certain Factors Affecting the Company" contained in our Annual Report and other documents filed by us with the Securities and Exchange Commission.

Significant Events

Confirmation of Joint Plan and Sale of Operating Assets

On April 5, 2007, the Company and the Committee of Unsecured Creditors (“Creditors Committee”) filed a Joint Plan of Reorganization with the Court (“Joint Plan”), which Joint Plan was amended and restated and filed with the Court on May 2, 2007. The Joint Plan was confirmed by the Court on June 14, 2007. Following confirmation of the Joint Plan, the Company continued to operate, market and sell the SPEEDLAN product line. On August 10, 2007, the Company sold its remaining business, consisting of the SPEEDLAN product line, for and in consideration for $100,000, plus the assumption of all warranty obligations associated with the product line. As a result of this sale, the Company has no operating business, and our management and Board of Directors are exploring opportunities to effect an acquisition of the Company by merger, exchange or issuance of securities or similar business combination.

Description of Business

CERTAIN DISCUSSIONS WHICH FOLLOW REGARDING THE DESCRIPTION OF BUSINESS REFER TO THE OPERATING BUSINESS PRIOR TO THE FILING OF THE BANKRUPTCY PETITION AND SUBSEQUENT SALE OF THE COMPANY’S OPERATING BUSINESSES, INCLUDING ITS RMA BUSINESS AND THE SPEEDLAN PRODUCT LINE.

We were incorporated in 1991 as a Delaware Corporation. Our executive offices are located at 6080 Centre Drive, Suite 600, Los Angeles, California 90045, and our telephone number is 310-242-5698. On August 20, 2007, we changed the name of the Company from Wave Wireless Corporation to Azzurra Holding Corporation.

Company Overview

Prior to the disposition of our operating businesses, we were a developer of wireless broadband solutions, offering a portfolio of wireless mesh routers, and fixed and mobile non-line-of-sight (NLOS) products that could be deployed in all types of environments. Our products were used for applications ranging from mission critical public safety communications, video surveillance, municipal networks, and private enterprise networks to last mile broadband access. First responders, telecom carriers, municipalities, wireless Internet service providers, utilities, security companies and the military deployed our products. We also provided repair, maintenance and other services to our licensed and other customers worldwide.

On March 28, 2006, a wholly owned subsidiary of the Company was merged with and into WaveRider Communications Inc. (the “WaveRider Merger”). The WaveRider Merger brought together complementary business lines, engineering, sales and marketing compatibilities and technology. The combination of our SPEEDLAN family of mesh networking products and WaveRider’s Last Mile Solution non-line-of-sight, fixed and mobile wireless 900 MHz products provided customers with a wide range of line-of-sight fixed and non-line-of-sight products and services.

The product, personnel and other synergies resulting from the WaveRider Merger were intended to lower operating and other costs, and increase revenue in each company's respective product lines. Following consummation of the WaveRider Merger, the Company experienced far longer sales cycles for new products than were expected, certain product availability issues in connection with its 900 MHz non-line-of-sight products, and continuing delays in commercializing new mesh products, resulting in substantially lower revenue in each of these product lines than expected. Due to the recognition of lower than anticipated revenue during the quarter ended September 30, 2006, the Company was required to use a significant amount of its cash resources to satisfy certain legacy obligations, and the costs incurred in connection with consummation of the WaveRider Merger. As a result of these factors, and the Company's deteriorating cash position, management entered into discussions to sell certain non-core assets in order to satisfy its working capital requirements.

Management of WaveRider's Australian subsidiary, WaveRider Communications (Australia) Pty Ltd. ("WaveRider Australia") had approached it on a number of occasions about the possibility of a management buy-out of WaveRider Australia. On June 19, 2006, the Company's Board of Directors determined that, as a non-core asset, the sale of the WaveRider Australia should be considered and directed management to enter into formal negotiations. On June 30, 2006, the Company sold WaveRider Australia for cash consideration of $370,000 plus contingent consideration calculated at 15% of revenue for the following 12 months, payable quarterly in arrears. On January 25, 2007, WaveRider and WaveRider Australia agreed to a lump-sum payment of $438,000 which is included in Other income, net in the accompanying condensed consolidated statements of operations, to WaveRider, thereby terminating all further payment obligations of WaveRider Australia to WaveRider. As a result of this payment, WaveRider received a total of approximately $953,000 from the sale of WaveRider Australia.

On June 1, 2006, following informal discussions between the two companies, representatives of VCom Inc. ("VCom") approached the Company about the possibility of acquiring the Canadian operations of WaveRider. Upon receipt of a tentative Letter of Offer, the Company's Board of Directors, at their June 19, 2006 meeting, directed management to enter into formal negotiations. On July 1, 2006, the Company sold WaveRider Communications (USA) Inc., Avendo Wireless Corporation and WaveRider Communications (Canada) Inc., including its wholly owned subsidiary, JetStream Internet Services Inc., to VCom (the "VCom Transaction").

The sale of the former WaveRider subsidiaries in connection with the VCom Transaction, while generating much needed short-term working capital, resulted in the disposition of substantially all of WaveRider's international businesses. The Company retained WaveRider's intellectual property and its North American operations.

During the quarter ended September 30, 2006, Charles Brown, the Company's then President and Chief Executive Officer, unexpectedly tendered his resignation. Mr. Brown's resignation materially impacted the Company's ability to continue to address the ongoing poor operating results in the Company's principal business units and the Company's continuing deteriorating working capital position. Following Mr. Brown's resignation, the Company's Board of Directors met to consider alternatives available to the Company in order to continue as a going concern.

On October 17, 2006, the Company sold WaveRider's remaining operating and related assets associated with its 900 MHz product line to VCom, for the amount of $1,250,000. The purchase price was determined based on the acquisition of trade accounts receivable, in the amount of $592,000, inventory, in the amount of $467,000, capital assets, valued at $190,999, and goodwill and other intangibles at $1. The purchase price was adjusted for the change in the value of the accounts receivable and the inventory from the original valuation date and September 30, 2006, in the amount of $377,000. VCom also assumed responsibility for the cost of warranty support of WaveRider's existing 900 MHz customer base and for certain WaveRider employees, related to the business. The purchase price was paid and satisfied first in repayment to VCom of all amounts owing by the Company or its affiliates pursuant to the supply agreement between VCom and WaveRider, which amount was approximately $1.6 million. As a result of this payment, and other reconciliations following consummation of the VCom Transaction, WaveRider received $426,000, which amount was received during the quarter ended June 30, 2007.

Table of Contents

In order to provide for its immediate working capital needs, and in light of the Board's determination that additional equity or debt financing would likely be unavailable to the Company, the Board of Directors directed management to explore the sale of certain or all remaining product lines and business units. These efforts failed to generate sufficient interest to address the Company's ongoing working capital needs. As a result, the Board determined to seek protection from its creditors, and to reorganize under Chapter 11 of the Code, focused on the sale of the SPEEDLAN product line. The Company filed a voluntary petition under Chapter 11 of the Code on October 31, 2006.

On November 2, 2006, the Court ordered the conduct of an auction to sell the Company's RMA Business. As a result of the auction, which was held on November 13, 2006, we sold the RMA Business for approximately $406,000 in cash, plus the assumption of certain liabilities. Also pursuant to a Court order entered on November 13, 2006, we sold certain de minimus assets totaling less than $100,000. As a result of these sales, our continued operations while under the protection of Chapter 11 of the Code consisted of the marketing and sale of our SPEEDLAN product line, which was sold subsequent to the confirmation of the Joint Plan, on August 10, 2007, for approximately $100,000.

As a result of the forgoing actions, the Company has no operating business. WaveRider, the Company's wholly-owned subsidiary, similarly has no operating businesses or assets, and its remaining cash is being used to satisfy its remaining obligations. As a result, our management and Board of Directors are exploring opportunities to effect an acquisition of the Company by merger, exchange or issuance of securities or similar business combination.

On August 20, 2007, we changed the name of the Company to Azzurra Holding Corporation.

Critical Accounting Policies

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

Revenue Recognition

Revenue from product sales is recognized upon transfer of title and risk of loss, which is upon shipment of the product, provided no significant obligations remain and collection is probable. Provisions for estimated warranty repairs, returns and other allowances are recorded at the time revenue is recognized. In management's opinion, at March 31, 2007 all receivables were deemed to be fully collectible.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses from the inability of our customers to make required payments. We evaluate our allowance for doubtful accounts based on the aging of our accounts receivable, the financial condition of our customers and their payment history, our historical write-off experience and other assumptions. In order to limit our credit exposure, we require irrevocable letters of credit and even prepayment from certain of our customers before commencing production. In management's opinion, at March 31, 2007 all receivables were deemed to be fully collectible.

14

Table of Contents

Inventory

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

Property and Equipment

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

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation were required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down is required.

Concentration of Credit Risk

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

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

At March 31, 2007, there was no significant concentration of trade accounts receivable.

RESULTS OF OPERATIONS

Sales

For the three months ended March 31, 2007, sales were approximately $323,000 as compared to $448,000 in the comparable period in the prior year. The Company continued to sell and support its SPEEDLAN product line during the quarter ended March 31, 2007, principally to existing customers whose purchase decision was largely based on concerns regarding product availability following the filing of the Bankruptcy Petition. The Company has seen continuing declines in revenue from new customers as a result of its financial condition and the termination of its sales force in connection with the filing of the Bankruptcy Petition, and sales to existing customers declined significantly following the quarter ended March 31, 2007.

Gross Profit (Loss)

Gross profit for the three months ended March 31, 2007 and 2006, was $265,000 and $228,000, respectively, or 82% and 51% of sales in each of the respective quarters. Gross margins improved due to limited discounting on the remaining revenue levels. Gross margins in both periods were positively impacted by the sale of inventory that was written down in prior periods.

Research and Development

For the three months ended March 31, 2007, we did not incur any research and development expenses ("R&D"), which were approximately $534,000 during the comparable quarter in 2006. The Company eliminated all R&D spending as a result of the filing of the Bankruptcy Petition, and does not expect to incur R&D costs in the near future.

Selling and Marketing

For the three months ended March 31, 2007, we did not incur any selling and marketing expenses, which were approximately $488,000 in 2006. During the third quarter of 2006, the Company cut substantially all selling and marketing expenditures.

General and Administrative

For the three months ended March 31, 2007 and 2006, general and administrative expenses were approximately $237,000 and $487,000. The decrease in general and administrative expenses in the three months ended March 31, 2007 relate to winding down administrative operations including decreases in payrolls, consulting and other administrative expenses. At March 31, 2007, we retained a small staff to provide administrative and other services to support sales of the SPEEDLAN product line.

Bankruptcy Expenses

During the three months ended March 31, 2007, the Company incurred $126,000 in expenses related to the Joint Plan. These expenses included the cost to extend the Company's current directors and officers liability insurance policy.

Interest Expense

For the three months ended March 31, 2007 and 2006, interest expense was approximately $373,000 and $9.5 million. Interest expense during the three months ended March 31, 2007, consists primarily of penalty interest expense due to the Company's failure to file a registration statement for the shares underlying the Company's Series J and J-1 Convertible Preferred Stock. The majority of interest expense for the prior year comparable period relates to non-cash charges associated with conversion of promissory notes and debt to Series J Convertible Preferred Stock, the issuance of Series J Convertible Preferred Stock to consultants in connection with the Company's promissory note financing, the accretion to the value o f the promissory notes and amortization of deferred financing charges.

Gain on Settlement of Accrued Liabilities

For the three months ended March 31, 2007, the Company settled accounts payable and accrued liabilities for amounts lower than originally invoiced or accrued, resulting in a gain of approximately $556,000.

Table of Contents

Other Income

For the three months ended March 31, 2007, other income consisted of the following:

	Amount
Settlement of contract with Wave Rider Australia	$ 438,000
Collection of amounts previously considered bad debts	61,000