

AZZURRA HOLDING CORP  
Form 10QSB  
May 30, 2008

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

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/

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AZZURRA HOLDING CORPORATION

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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.



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## PART I - FINANCIAL INFORMATION

## ITEM FINANCIAL STATEMENTS

1.

## AZZURRA HOLDING CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2007 (Unaudited)	December 31, 2006
<b>ASSETS</b>		
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
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
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

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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.

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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	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.

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

(UNAUDITED)

	MARCH 31,	
	2007	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

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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.

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 include 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)