
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2003
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 000-21091

FIRST AVENUE NETWORKS, INC.
(formerly known as Advanced Radio Telecom Corp.)
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

52-1869023
(I.R.S. Employer
Identification No.)

230 Court Square, Suite 202, Charlottesville, VA 22902
(Address of principal executive offices)

(434) 220-4988
(Registrant's telephone number, including area code)

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 .

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court: Yes No .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934): Yes No .

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Pursuant to its plan of reorganization, the registrant has 20,000,000 shares of its common stock outstanding as of April 11, 2003. As of such date, 18,512,064 shares have been distributed pursuant to the plan of reorganization.

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FIRST AVENUE NETWORKS, INC.

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ITEM 1. FINANCIAL STATEMENTS

FIRST AVENUE NETWORKS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(unaudited)

(in thousands, except share data)

	March 31, 2003	December 31, 2002
Current assets:		
Cash and cash equivalents	\$ 4,757	\$ 5,300
Accounts receivable, net	111	35
Prepaid expenses and other current assets	88	97
Inventory	368	368
Total current assets	5,324	5,800

Property and equipment, net of accumulated depreciation		22		25
FCC licenses		21,600		21,600
Other assets		4		4
Total assets	\$	26,950	\$	27,429
Current liabilities:				
Accounts payable	\$	146	\$	718
Accrued compensation and benefits		290		255
Accrued taxes other than income		350		350
Other accrued liabilities		408		464
Total current liabilities		1,194		1,787
Senior secured notes, net of unamortized discount		9,231		8,756
Other accrued taxes		3,760		3,760
Total liabilities		14,185		14,303
Commitments and contingencies (Note 4)				
Stockholders' equity:				
Common stock, \$0.001 par value; 50,000,000 shares authorized, 20,000,000 shares issued and outstanding		20		20
Additional paid-in capital		40,831		40,831
Accumulated deficit		(28,086)		(27,725)
Total stockholders' equity		12,765		13,126
Total liabilities and stockholders' equity	\$	26,950	\$	27,429

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

FIRST AVENUE NETWORKS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited)
(in thousands, except per share data)

Three Months Ended March 31,

	2003	2002
Revenues	\$ 53	\$ 75
Costs and expenses:		
Technical and network operations	1	18
Sales and marketing	50	57
General and administrative	320	743
Depreciation and amortization	2	13
Total costs and expenses	373	831
Loss from operations	(320)	(756)
Interest and other:		
Interest expense	(475)	(577)
Interest income	14	41
Other	420	49
Total interest and other	(41)	(487)
Net loss	\$ (361)	\$ (1,243)
Basic and diluted net loss per common share		
Net loss	\$ (0.02)	\$ (0.06)
Weighted average common shares	20,000	20,000

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

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Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

Three Months Ended March 31,

	2003	2002
Cash flows from operating activities:		
Net loss	\$ (361)	\$ (1,243)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2	13
Non-cash interest expense	475	577
Changes in operating assets and liabilities	(659)	(364)
Net cash used in operating activities	(543)	(1,017)
Cash flows from investing activities:		
Proceeds from assets held for sale	—	745
Purchases of property and equipment	—	(21)
Net cash provided by investing activities	—	724
Net decrease in cash and cash equivalents	(543)	(293)
Cash and cash equivalents, beginning of period	5,300	5,850
Cash and cash equivalents, end of period	\$ 4,757	\$ 5,557
Supplemental Disclosure of Cash Flow Information:		
Non-cash financing and investing activities:		
Issuance of senior secured notes for paid-in-kind interest	\$ 271	\$ 278

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

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First Avenue Networks, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1—The Company and Basis of Presentation

First Avenue Networks, Inc. (collectively with its subsidiaries, the “Company”) owns over 750 wireless telecommunications licenses granted by the Federal Communications Commission (“FCC”) that provide coverage of substantially all of the continental United States with 39 GHz spectrum. This license portfolio represents over 980 million channel pops, calculated as number of channels in a given area multiplied by the population covered by these channels.

The Company was previously known as Advanced Radio Telecom Corp. (“ART”). In February 2002, the shareholders approved amendments to the Certificate of Incorporation to change the Company’s name to First Avenue Networks, Inc. ART with its subsidiaries filed a voluntary petition with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) for protection under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) on April 20, 2001 (the “Petition Date”).

On October 31, 2001, the Bankruptcy Court approved the Company’s Plan of Reorganization filed with the Bankruptcy Court on September 27, 2001 (the “Plan”). On December 20, 2001 (the “Effective Date”), the Company met all of the Conditions Precedent to the Effective Date (as defined), the Plan was effective and the Company emerged from proceedings under Chapter 11 of the Bankruptcy Code. For financial reporting purposes, the Company reflected its emergence from bankruptcy as of the close of business on December 31, 2001.

The Company is subject to all of the risks inherent in an early-stage business in the telecommunication industry. These risks include, but are not limited to: limited operating history; management of a changing business; reliance on other third parties; competitive nature of the industry; development and maintenance of efficient technologies to support the business; employee turnover; and, operating cash requirements. Management expects operating losses and negative cash flows to continue for the near term. Failure to generate sufficient revenues could have a material adverse effect on the Company’s results of operations, financial condition and cash flows. The recoverability of assets is highly dependent on the ability of management to execute its business plan.

Interim financial statements – Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission. The accompanying interim condensed consolidated financial statements are unaudited. In the opinion of Company management, these financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the Company’s financial position and results of operation for the interim periods presented. The unaudited condensed consolidated financial statements should be read in conjunction with the Company’s 2002 audited consolidated financial statements and notes thereto contained in the Company’s 2002 Annual Report on Form 10-K.

Use of estimates – Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates. Among the more significant estimates made by management include fair values of assets and liabilities, accrued property and use taxes and realization of deferred tax assets.

FCC licenses – FCC licenses are granted for initial ten-year terms with renewal dates ranging from 2006 to 2011. Under the provisions of Statement of Financial Accounting Standards No. 142 “Goodwill

and Other Intangible Assets” (“SFAS No. 142”), FCC licenses are deemed to have an indefinite useful life and are not amortized.

Impairment of long-lived assets – The Company evaluates its long-lived assets for impairment and continues to evaluate them as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. In cases where undiscounted expected cash flows associated with such assets are less than their carrying value, an impairment provision is recognized in an amount by which the carrying value exceeds the estimated fair value of such assets. Recoverability of the carrying value of the Company’s FCC licenses is dependent on successful deployment of networks and radio links or sales of such assets to a third party. The Company considers the FCC licenses to have an indefinite useful life under the provisions of SFAS No. 142. The Company performs an annual impairment test on this asset. If events and circumstances indicate the assets might be impaired, the Company will perform such a test on an interim basis. The impairment test compares the fair value of the FCC licenses with the carrying value of the asset. If the fair value is less than the carrying values an impairment loss will be recorded.

Net loss per share – Calculation of loss per share for the three months ended March 31, 2003 and 2002 excludes the effect of warrants and options to purchase 4.0 million and 940,000, respectively, shares of common stock since inclusion in such calculation would have been antidilutive.

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Stock options – The Company applies Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations, including Financial Accounting Standards Board Interpretation No. 44 “Accounting for Certain Transactions Involving Stock Compensation”, for its stock-based compensation plan. Accordingly, compensation cost for stock options granted to employees and directors is measured as the excess, if any, of fair value of company stock over exercise price at the measurement date, except when the plan is determined to be variable in nature. The Company accounts for equity stock options granted to non-employees at fair value.

The following table summarizes relevant information as to reported results under the Company’s intrinsic value method of accounting for stock awards, with supplemental information as if the fair value recognition provisions of SFAS No. 123, “Accounting for Stock Based Compensation,” (SFAS 123) had been applied (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2003	2002
Net loss, as reported	\$ (361)	\$ (1,243)
Less: Stock based compensation determined under fair value based method for all awards	—	—
Net loss, as adjusted for fair value method for all stock based awards	\$ (361)	\$ (1,243)

Basic and diluted loss per share, as reported and adjusted	\$	(0.02)	\$	(0.06)
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Note 2—Related Party Transactions

Holders of approximately 59% of the New Common Stock own approximately 93% of the outstanding New Senior Notes and New Class A Warrants. Representatives from two entities holding 45% of the New Common Stock serve on the Company’s Board of Directors.

Note 3—Commitments and Contingencies

Contingencies – The Company is subject to certain claims and assessments and makes routine filings with the FCC and state regulatory authorities. Management believes that resolution of any such claims or matters arising from such filings, if any, will not have a material adverse impact on the Company’s consolidated financial position.

In the normal course of business, the Company has various legal claims and other contingent matters outstanding. On October 31, 2001, the Company filed suit against Commco Partners, LLC (“Commco”) and Scott Reardon (together, the “Defendants”) in the United States Bankruptcy Court for the District of Delaware alleging breach of contract for non-payment of a \$13.0 million bridge loan entered into in connection with the Company’s acquisition of 39 GHz licenses from BroadStream Communications Corporation. On February 19, 2002, the Defendants served the Company with a counterclaim that asserts breach of contract under the contract for the purchase of the licenses and the realization of substantial damages due to the Company’s failure to register Old Common Stock held by the Defendants. As a result of a settlement agreement between the Company and the Defendants reached in connection with the Company’s bankruptcy proceedings, any recovery by the Defendants on their counterclaim is restricted to reducing or eliminating any claim, demand or cause of action of the Company against the Defendants, and is limited in amount to the total of any recovery by the Company on its claims, demands or causes of actions against the Defendants. On January 23, 2003, the parties reached a settlement agreement whereby, in exchange for the Defendant paying the Company \$45,000 and transferring the Defendants’ interest in a real estate partnership, both parties would drop all claims. The settlement agreement was approved by the United States Bankruptcy Court of the District of Delaware on March 14, 2003. As a result, the Company recognized other income of \$45,000 in the three months ended March 31, 2003 and has included this amount within accounts receivable at March 31, 2003.

At December 31, 2002, the Company had pre-petition and post-petition priority claims totaling approximately \$760,000 that were being disputed. Based upon management’s judgment, \$483,000 of this total had been recorded on the Company’s post-Effective Date balance sheet as an estimate of its maximum cash exposure to settle these claims. During the three months ended March 31, 2003, the Company settled these claims for \$106,000. The Company has included \$106,000 within accounts payable at March 31, 2003 and has recognized other income of \$377,000 in the three months ended March 31, 2003 as a result of reaching settlements for less than the recorded liability.

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

Cautionary Statement – This report includes “forward-looking” information, as that term is defined in the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in

its rules, regulations and releases, regarding, among other things, our financial and business prospects, the deployment of our services, capital requirements and financing prospects. The Company cautions investors that any such statements are based on currently available operational, financial and competitive information, and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors. Those factors include, among others, those matters disclosed as Risk Factors at the end of the business section of the Company's most recently filed Annual Report on Form 10-K.

Overview

The Company holds over 750 licenses granted by the Federal Communications Commission ("FCC") and provides wireless, high-speed, point-to-point telecommunications services to 14 customer links. The Company engineered these telecommunication links, purchased and installed radios and tested the links for proper operation and reliability. Its customers incorporate these fixed wireless transmission links into their telecommunication networks and utilize wireless links to provide a primary telecommunication link or, in other cases, redundancy, back up or diversity to other telecommunication services.

The Company's recoverability of its investment in FCC licenses is dependent on its successful execution of its business plan.

The Company's strategy is to utilize its FCC licenses to provide telecommunications services in a capital efficient manner. In the short-term, the Company will seek to identify, contact and serve existing telecommunications carriers in a manner that does not require significant sales and marketing, operating and capital expenditures. Its long-term objective is to develop its business plan in response to carrier, business and other end-user customer demands for wireless, high-speed services.

From its inception in 1993 through the first quarter of 2001, the Company acquired airwave capacity, or spectrum rights, through FCC auctions and purchase transactions, raised capital through public and private offerings of securities, acquired equipment and roof rights, and developed operating and support systems and networks. In 1998, it began to sell a variety of Internet services to end-users in Seattle, WA, Portland, OR, and Phoenix, AZ. In late 1999, the Company's strategy evolved to providing high-speed transmission services, including Internet access to businesses. During 2000, it launched these services in ten markets. In the first quarter of 2001, the Company was unable to secure additional funding sources to continue to finance operations and service debt.

Reorganization

The Company sought reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware ("Court") on April 20, 2001 (the "Petition Date"). It terminated nearly all of its employees, terminated operation of its networks and eliminated customer support. A Joint Plan of Reorganization ("Plan") was developed and was approved by the Court on October 31, 2001. On December 20, 2001 ("Effective Date"), the Plan was effective and the Company emerged from the proceedings under Chapter 11 of the United States Bankruptcy Code pursuant to the terms of the Plan.

Under the Plan, the Company issued 20 million shares of new-post Chapter 11 common stock ("New Common Stock") to unsecured creditors and holders of Series A Preferred Stock ("Old Preferred Stock"). Each holder of an unsecured claim received its pro rata share of 19 million shares of New Common Stock. Each holder of Old Preferred Stock received its pro rata share of 1 million shares of New Common Stock. Holders of pre-chapter 11 common stock ("Old Common Stock") and holders of any other equity interest received no distributions under the Plan. All Old Common Stock, Old Preferred Stock and all other equity interests such as employee stock options and warrants were cancelled on the Effective Date.

Prior to the Company's reorganization, it incurred significant operating costs and interest expense. While pursuing its short-term strategy, the Company expects significantly less costs in these areas. The Company also expects its general and administrative and sales and marketing costs to be less than those incurred by the predecessor.

Results of Operations

Three months ended March 31, 2003 compared to three months ended March 31, 2002

Revenues for the three months ended March 31, 2003, decreased 29% to \$53,000 from \$75,000 for the three months ended March 31, 2002 as a result of the number of dedicated wireless links decreasing from 23 at March 31, 2002 to 14 at March 31, 2003.

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Technical and network operations costs and expenses are comprised primarily of roof-top rent and backhaul. Technical and network operations costs and expenses decreased 94% to \$1,000 for the three months ended March 31, 2003, compared to \$18,000 for the three months ended March 31, 2002. This decrease resulted from the decrease in the number of facilities rented to provide service to 14 dedicated links. Technical and network operations costs and expenses were 2% and 24% of revenues for the three months ended March 31, 2003 and 2002, respectively.

Sales and marketing costs and expenses are comprised primarily of compensation and related costs. These costs decreased 12% to \$50,000 for the three months ended March 31, 2003, compared to \$57,000 for the three months ended March 31, 2002. Sales and marketing costs and expenses were 94% and 76% of revenues for the three months ended March 31, 2003 and 2002, respectively.

General and administrative costs and expenses decreased 57% to \$320,000 for the three months ended March 31, 2003 from \$743,000 for the three months ended March 31, 2002. This decrease resulted from the absence of expenses incurred during the three months ended March 31, 2002 to finalize the bankruptcy process. During the three months ended March 31, 2002, the Company employed three of the predecessor company's employees to finalize bankruptcy matters. Additionally, the Company incurred significant legal fees as a result of finalizing the bankruptcy process. General and administrative costs and expenses for the three months ended March 31, 2003 primarily consist of compensation, occupancy expenses, professional fees and insurance. General and administrative costs and expenses were 604% and 991% of revenues for the three months ended March 31, 2003 and 2002, respectively.

Depreciation and amortization expense of \$2,000 for the three months ended March 31, 2003 decreased 85% from \$13,000 for the three months ended March 31, 2002. This decrease was due to the closure of the predecessor's Kent, WA facility and sale of assets in the three months ended March 31, 2002. Depreciation and amortization expense was 4% and 17% of revenues for the three months ended March 31, 2003 and 2002, respectively.

Interest and other expenses decreased to \$41,000 for the three months ended March 31, 2003 from \$487,000 for the three months ended March 31, 2002. This change primarily is attributable to (i) a \$102,000 decrease in interest expense as a result of the Company ceasing to record interest on pre-petition amounts due to various state and local governments for use and personal property taxes reported as other non-current liabilities; (ii) \$377,000 in other income recorded as a result of settling disputed bankruptcy claims for amounts less than the recorded liability; and, (iii) \$45,000 in other income recorded as a result of settling the law suit against Commco Partners, LLC and Scott Reardon.

During the three month period ended March 31, 2003, the Company increased its deferred tax valuation allowance to equal its deferred tax asset based upon management's determination that the recognition criteria for realization had not been met.

Liquidity and Capital Resources

On April 20, 2001, the Company filed a voluntary petition with the Court for protection under Chapter 11 of the Bankruptcy Code. As a result of the Chapter 11 filing, the Company was prohibited from

paying, and creditors were prohibited from attempting to collect, claims or debts arising prior to the Petition Date. On October 31, 2001, the Court approved the Plan. On December 20, 2001, after the Company met all of the Conditions Precedent to the Effective Date (as defined), the Plan was effective and the Company emerged from proceedings under Chapter 11 of the Bankruptcy Code. On the Effective Date of the Plan, the Company:

- Filed an Amended and Restated Certificate of Incorporation;
- Cancelled Old Common Stock, Old Preferred Stock and agreements to issue or purchase any additional equity interests;
- Issued 19 million shares of New Common Stock to settle all unsecured creditor claims;
- Issued 1 million shares of New Common Stock to holders of Old Preferred Stock;
- In return for \$11.0 million in cash,
 - Issued \$11.0 million of five-year Senior Secured Notes that bear paid in-kind interest at 9% and are secured by substantially all of the Company's assets; and,
 - Issued 4 million fully-vested, five-year New Class A Warrants with an exercise price of \$0.01 to holders of Senior Secured Notes; and,
- Paid the holder of the \$11.3 million secured vendor financing claim \$6.0 million in cash in full satisfaction of the debt.

In February 2002, the Company verified approximately 90% of the holders of unsecured claims and 100% of the holders of Old Preferred Stock and distributed stock certificates of New Common Stock. The Company estimates that it will complete the

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verification of the remaining holders of unsecured claims by June 30, 2003 and make another distribution of stock certificates of New Common Stock. The Company will not make any additional distributions to holders of Old Preferred Stock.

The Company distributed 17,512,064 and 1,000,000 shares of New Common Stock to holders of unsecured claims and holders of Old Preferred Stock, respectively, in February 2002. Once the Company completes the verification process it will distribute 1,487,936 New Common Shares to settle the remaining unsecured claims. If the verification process results in fewer than 1,487,936 New Common Shares being allocated to settle these claims, the difference between 1,487,936 and the number of shares required to settle the claims will be allocated to the New Common Stock holders who received the stock in settlement of unsecured claims on a pro rata basis relative to their current holdings.

During the three months ended March 31, 2003, operating activities used cash of approximately \$543,000 as compared to \$1.0 million during the three months ended March 31, 2002. Cash used by operating activities resulted primarily from the Company's net loss reduced by non-cash interest expense.

Investing activities provided cash of \$724,000 due to proceeds of \$745,000, net of selling costs, from the sale of its network and other equipment during the three months ended March 31, 2002.

Senior Secured Notes are due on December 20, 2006 and are collateralized by all assets of the Company. They bear interest at the rate of 9% per annum that is payable quarterly through the issuance of additional Senior Secured Notes at the Company's option. Only if an event of default has occurred and is continuing is interest mandatorily payable in cash. During the three months ended March 31, 2003 and 2002 the Company issued \$271,000 and \$278,000, respectively, of additional Senior Secured Notes in lieu

of interest. The Senior Note and Class A Warrant Purchase Agreement contains covenants which limit the Company's ability to incur additional debt, pay dividends or make other distributions, incur liens, merge or sell assets and enter into certain transactions with related parties.

The Company recorded the issuance of the Senior Secured Notes net of the estimated fair value of the New Class A Warrants at the issuance date. Amortization of debt discount of \$204,000 has been determined utilizing the effective interest rate method and is a component of interest expense for each of the three months ended March 31, 2003 and 2002.

The Company had cash and cash equivalents of \$4.8 million at March 31, 2003. Since its inception, the Company has incurred losses from operations and expects to continue to incur losses in the foreseeable future. It has altered its business plan to minimize expenditures and the amount of future capital required. The Company dismantled its networks, eliminated customer support and reduced its work force during 2001. At March 31, 2003, it had only three employees and non-cancelable financial commitments of less than \$22,000 due in 2003. The Company believes that the cash balance at March 31, 2003 is sufficient to cover its operations and capital requirements through and including 2004.

Critical Accounting Matters and Significant Estimates

The preparation of consolidated financial statements requires management to make judgments based upon estimates and assumptions that are inherently uncertain. Such judgments affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management continuously evaluates its estimates and assumptions, including those related to long-lived assets, inventories, income taxes, contingencies and litigation, and the carrying values of assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

A summary of our most critical accounting policies and significant estimates used in the preparation of our consolidated financial statements is as follows:

- Given the nature of the Company's 39 GHz spectrum, significant judgment is required in making an assessment as to whether the recorded carrying value of these assets exceeds the estimated fair market value. At March 31, 2003, the Company's FCC licenses had an estimated fair value of \$21.6 million. During 2002, the Company recorded a loss of \$24.8 million for the impairment of these FCC licenses as a result of its annual impairment evaluation under SFAS No. 142. In performing its impairment evaluation, the Company identified a number of factors that are considered to be indicative of the value of its FCC licenses, including (i) the decline in its public equity value; (ii) private purchases or restructurings for companies holding similar licenses; and, (iii) the decline in the public equity value of companies providing similar services or holding FCC licenses. Each of the factors was then quantified and weighted in deriving the estimated fair value. No additional impairment of the FCC license value occurred during the three months ended March 31, 2003.

Several key assumptions were included in the valuation model: (i) the value of the FCC licenses directly correlates with

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public trading value of the Company's stock and that of other public companies in the telecommunication industry; (ii) certain private purchases of similar licenses are reflective of the fair value of the underlying assets; (iii) the relative weights assigned to each factor represents the level of the factor's relevancy to the estimation of the fair value of the FCC licenses; and, (iv) the model captures relevant information impacting the fair value of these licenses. Any change in

the above assumptions could lead to a different result. The Company will continue to evaluate the fair value of its FCC licenses for impairment as events or changes in circumstances indicate that the carrying value of these assets may not be fully recoverable.

The Company faces various contingencies including the renewal of its FCC licenses in 2006 to 2011 and changing FCC regulations. The loss of some or all of the FCC licenses or the imposition of FCC usage restrictions could adversely affect the Company's future business prospects and operations and result in an impairment to the carrying value of these intangible assets.

- The Company holds inventory, primarily radios, for demonstration and installation purposes and has written it down to estimated net realizable value. If actual market conditions are less favorable than those projected by management, additional write-downs may be required.
- On the Effective Date the Company issued \$11.0 million of New Senior Notes, with 4 million New Class A Warrants. The Company recorded the issuance of New Senior Notes and New Class A Warrants by allocating proceeds of \$11.0 million to New Senior Notes and New Class A Warrants based on their estimated relative fair values at the issuance date, resulting in \$4.1 million assigned to New Class A Warrants and \$6.9 million to New Senior Notes. The fair value of warrants was determined using the Black-Scholes option pricing model with key assumptions related to the risk free rate of return, volatility and Company stock price on the issuance date. The value ascribed to the New Class A Warrants was recorded as debt discount and an increase in additional paid-in capital of the Company. Annual amortization of debt discount is determined utilizing the effective interest rate method and is included as a component of interest expense. New Senior Notes are reported as of the balance sheet date at their face value less unamortized debt discount.
- The Company has recorded a full valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company were to determine that it would be able to realize the deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax valuation allowance would increase income in the period such determination is made.
- At March 31, 2003, other accrued taxes included accrued property tax and use tax liabilities of approximately \$2.5 million and \$1.3 million, respectively, that were incurred by the predecessor company. Such liabilities are expected to be released as the Company reaches settlement with the respective tax jurisdictions or at such time that a basis exists for the reversal of this liability. While management believes the amounts represent reasonable estimates of the amounts potentially owed by the Company, the amounts ultimately paid to the respective jurisdictions could differ from the accrued amounts.
- In connection with its emergence from bankruptcy, the Company reflected terms of the Plan in its consolidated financial statements by adopting the fresh start accounting provisions of SOP 90-7 on December 31, 2001. Fresh start accounting creates a new reporting entity and the recorded amounts of assets and liabilities are adjusted to reflect their estimated fair values. In adopting fresh start accounting, the Company utilized the reorganization value or fair value of the entity. The reorganization value of a company is the amount of value available and to become available for the satisfaction of post-petition liabilities and allowed claims, as negotiated between the debtor-in-possession and the creditors and holders of equity interests. A committee of unsecured creditors together with the Company determined a reorganization value of approximately \$53.7 million which was deemed fair value of the assets of the reorganized business, with FCC licenses comprising 86% of the reorganization value. The Company's recoverability of its investment in FCC licenses is dependent upon its successful execution of its business plan.
- The Company is subject to all of the risks inherent in an early-stage business in the telecommunication industry. These risks include, but are not limited to: limited operating history; management of a changing business; reliance on other third parties; competitive nature of the industry; development and maintenance of efficient technologies to support the business; employee turnover; and, operating cash requirements. Management expects operating losses and negative

cash flows to continue for the near term. Failure to generate sufficient revenues could have a material adverse effect on the Company's results of operations, financial condition and cash flows. The recoverability of these assets is highly dependent on the ability of management to execute on its business plan.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's existing long-term debt has a fixed interest rate; however, future borrowings may bear interest at variable rates and accordingly, the Company's exposure to market risk for changes in interest rates may change in the future.

At March 31, 2003, the Company had cash and cash equivalents of \$4.7 million that were held in bank accounts and in certificates of deposits with an average interest rate of 1.2% and original maturity of less than three months. The Company's investment policy provides that funds in excess of current operating needs may be invested in cash equivalents, marketable securities issued by the U.S. Government, its agencies and commercial paper of domestic corporations. Our policy prohibits investing in instruments with maturities that exceed 35 days. The Company's investment priorities are to minimize short-term risk and preserve capital. The Company has had no holdings of derivative financial or commodity instruments in the past and has no current plans to do so in the future. The Company has not conducted business in foreign currencies in the past and has no current plans to do so in the future.

The Company's long-term debt has a face value of \$12.3 million and bears interest at a fixed rate of 9%. The debt is due in full in 2006.

ITEM 4. CONTROLS AND PROCEDURES

Based on an evaluation of the Company's disclosure controls and procedures as of a date within 90 days of the filing date of this quarterly report, each of the chief executive officer and the chief financial officer of the Company have concluded that the Company's disclosure controls and procedures are effective in connection with the Company's filing of this quarterly report on Form 10-Q for the period ended March 31, 2003.

There were no significant changes in the Company's internal controls or in any other factors which could significantly affect those controls, subsequent to the date of the most recent evaluation of the Company's internal controls by the Company, including any corrective actions with regard to any significant deficiencies or material weaknesses.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On October 31, 2001, the Company filed suit against Commco Partners, LLC ("Commco") and Scott Reardon (together, the "Defendants") in the United States Bankruptcy Court for the District of Delaware alleging breach of contract for non-payment of a \$13.0 million bridge loan entered into in connection with the Company's acquisition of 39 GHz licenses from BroadStream Communications Corporation. On February 19, 2002, the Defendants served the Company with a counterclaim that asserts breach of contract under the contract for the purchase of the licenses and the realization of substantial damages due to the Company's failure to register Old Common Stock held by the Defendants. As a result of a settlement agreement between the Company and the Defendants reached in connection with the Company's bankruptcy proceedings, any recovery by the Defendants on their counterclaim is restricted to reducing or eliminating any claim, demand or cause of action of the Company against the Defendants, and is limited in amount to the total of any recovery by the Company on its claims, demands or causes of actions against the

Defendants. On January 23, 2003, the parties reached a settlement agreement whereby in exchange for the Defendant paying the Company \$45,000 and transferring the Defendants' interest in a real estate partnership, both parties would drop all claims. The settlement agreement was approved by the United States Bankruptcy Court of the District of Delaware on March 14, 2003. The Company recognized other income of \$45,000 in the three months ended March 31, 2003 and has included this amount within accounts receivable at March 31, 2003.

At December 31, 2002, the Company had pre-petition and post-petition priority claims totaling approximately \$760,000 that were being disputed. The Company had previously accrued \$483,000 of this total as an estimate of its maximum cash exposure to settle these claims. During the three months ended March 31, 2003, the Company settled these claims for \$106,000. The Company has included \$106,000 within accounts payable at March 31, 2003 and has recognized other income of \$377,000 in the three months ended March 31, 2003 as a result of reaching settlements for less than the recorded liability.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None.

(b) Reports on Form 8-K:

The Company did not file any Report on Form 8-K during the three months ended March 31, 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST AVENUE NETWORKS, INC.

April 30, 2003

By: /s/ DEAN M. JOHNSON

Date

Dean M. Johnson
President, Chief Executive Officer and
Director

Pursuant to the requirements of the securities and exchange act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

Name	Title	Date
/s/ DEAN M. JOHNSON _____ Dean M. Johnson	President, Chief Executive Officer and Director	April 30, 2003
/s/ SANDRA THOMAS WATSON _____	Chief Financial Officer Principal Financial and Accounting Officer	April 30, 2003

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CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dean M. Johnson, President, Chief Executive Officer and Director of the Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Avenue Networks, Inc. (the “registrant”);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and
6. The registrant’s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

/s/ Dean M. Johnson

Dean M. Johnson
President, Chief Executive Officer and
Director

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**CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sandra Thomas Watson, Chief Financial Officer of the Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Avenue Networks, Inc. (the “registrant”);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

/s/ Sandra Thomas Watson

Sandra Thomas Watson
Chief Financial Officer

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**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as chief executive officer of First Avenue Networks, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

- 1) the Company's Form 10-Q for the quarterly period ended March 31, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Form 10-Q for the quarterly period ended March 31, 2003 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dean M. Johnson

Dean M. Johnson
CEO and Director

Dated: April 30, 2003

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**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as chief financial officer of First Avenue Networks, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

- 3) the Company's Form 10-Q for the quarterly period ended March 31, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 4) the information contained in the Company's Form 10-Q for the quarterly period ended March 31, 2003 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sandra Thomas Watson

Sandra Thomas Watson
Chief Financial Officer

Dated: April 30, 2003