

**UNITED STATES
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, 2008**
- 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

FIBERTOWER CORPORATION

(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.)

**185 Berry Street
Suite 4800
San Francisco, CA 94107**
(Address of principal executive offices)

(415) 659-3500
(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: The registrant had 151,323,591 shares of its common stock outstanding as of April 30, 2008.

FIBERTOWER CORPORATION

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ITEM 1. FINANCIAL STATEMENTS

FIBERTOWER CORPORATION
Condensed Consolidated Balance Sheets
(unaudited)
(In thousands, except par value)

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 193,248	\$ 223,330
Certificates of deposit	5,000	5,000
Restricted cash and investments, current portion	36,169	35,757
Accounts receivable, net of allowances of \$111 at March 31, 2008 and \$151 at December 31, 2007	3,894	3,684
Prepaid expenses and other current assets	2,024	1,840
Total current assets	240,335	269,611
Restricted cash and investments	1,229	1,222
Property and equipment, net	247,619	240,799
FCC licenses	342,000	342,000
Goodwill	—	86,093
Debt issuance costs, net	11,298	11,855
Intangible and other long-term assets, net	4,267	3,975
Total assets	\$ 846,748	\$ 955,555
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 9,824	\$ 13,672
Accrued compensation and related benefits	3,693	3,369
Accrued interest payable	13,685	4,629
Other accrued liabilities	2,239	3,555
Total current liabilities	29,441	25,225
Other liabilities	376	487
Deferred rent	5,170	4,223
Asset retirement obligations	3,508	3,311
Convertible senior secured notes	419,371	415,778
Deferred tax liability	93,561	93,561
Total liabilities	551,427	542,585
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 par value; 400,000 shares authorized, 150,453 and 146,242 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively	151	146
Additional paid-in capital	789,717	787,371
Accumulated deficit	(494,547)	(374,547)
Total stockholders' equity	295,321	412,970
Total liabilities and stockholders' equity	\$ 846,748	\$ 955,555

See accompanying notes.

FIBERTOWER CORPORATION
Condensed Consolidated Statements of Operations
(unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2008	2007
Service revenues	\$ 9,706	\$ 5,420
Operating expenses:		
Cost of service revenues (excluding depreciation and amortization)	16,221	11,274
Cost of service revenues - Impairment of long-lived assets and other charges	4,816	149
Sales and marketing	1,925	2,022
General and administrative	6,272	7,197
Depreciation and amortization	5,120	3,838
Impairment of goodwill	86,093	—
Total operating expenses	<u>120,447</u>	<u>24,480</u>
Loss from operations	<u>(110,741)</u>	<u>(19,060)</u>
Other income (expense):		
Interest income	2,341	5,358
Interest expense	(11,573)	(12,257)
Miscellaneous income (expense), net	(27)	121
Total other income (expense), net	<u>(9,259)</u>	<u>(6,778)</u>
Net loss	<u>\$ (120,000)</u>	<u>\$ (25,838)</u>
Basic and diluted net loss per share	<u>\$ (0.83)</u>	<u>\$ (0.18)</u>
Weighted average number of shares used in per share amounts:		
Basic and diluted	<u>144,044</u>	<u>142,321</u>

See accompanying notes.

FIBERTOWER CORPORATION
Condensed Consolidated Statements of Cash Flows
(unaudited)
(In thousands)

	Three Months Ended March 31,	
	2008	2007
Operating activities		
Net loss	\$ (120,000)	\$ (25,838)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,120	3,838
Decline in value of embedded derivative	—	(312)
Accretion of convertible notes	3,593	3,014
Accretion of investments in debt securities	(394)	(1,073)
Accretion of asset retirement obligations	101	68
Amortization of debt issuance costs	557	519
Stock-based compensation	2,225	2,336
Loss on disposal of equipment	75	160
Impairment of long-lived assets and other charges	4,816	149
Impairment of goodwill	86,093	—
Net changes in operating assets and liabilities:		
Accounts receivable, net	(210)	(189)
Prepaid expenses and other current assets	(184)	386
Other long-term assets	(391)	26
Accounts payable	(3,848)	(8,287)
Accrued compensation and related benefits	324	(1,002)
Accrued interest payable	9,056	8,956
Other accrued liabilities and deferred rent	(386)	1,071
Net cash used in operating activities	(13,453)	(16,178)
Investing activities		
Purchases of short-term investments	—	(55,810)
Maturities of short-term investments	—	15,253
Purchase of property and equipment	(16,669)	(21,157)
Net cash used in investing activities	(16,669)	(61,714)
Financing activities		
Proceeds from exercise of stock options	40	1,228
Cash provided by financing activities	40	1,228
Net decrease in cash and cash equivalents	(30,082)	(76,664)
Cash and cash equivalents at beginning of period	223,330	345,174
Cash and cash equivalents at end of period	\$ 193,248	\$ 268,510

See accompanying notes.

FIBERTOWER CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1—Organization and Business

Organization and operations — FiberTower Corporation (collectively with its subsidiaries, the “Company”) was incorporated in 1993 in the State of Delaware to build and operate a shared high-capacity backhaul network for wireless operators and service providers in the United States.

The Company is a leading provider of facilities-based backhaul services to wireless carriers. Backhaul is the transport of voice, video and data traffic from a wireless carrier’s mobile base station, or cell site, to its mobile switching center or other exchange point where the traffic is then switched onto a fixed wireline telecommunications network. The Company utilizes its comprehensive wireless spectrum assets to provide backhaul services through a hybrid radio/fiber network architecture. The Company’s services allow wireless carriers to optimize their networks, enabling significant improvements in their availability, reliability, scalability and cost, while providing a long-term solution for the increasing demand for backhaul capacity. As of March 31, 2008, the Company had master service agreements with six of the eight largest U.S. wireless carriers. Through these master service agreements and other customer agreements, the Company provided services to 2,347 billing sites in 13 markets throughout the U.S. as of March 31, 2008.

The Company has incurred losses and negative cash flows from operating and investing activities since its inception, and it had an accumulated deficit of \$494.5 million as of March 31, 2008. Through March 31, 2008, the Company has relied primarily on equity and debt financings to fund its operating and investing activities. Management expects operating losses and negative cash flows to continue for the foreseeable future. Failure to generate sufficient revenue 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.

First Avenue/FiberTower merger transaction—On August 29, 2006, FiberTower Network Services Corp. (formerly known as “FiberTower Corporation” and referred to hereinafter as “Old FiberTower”) and First Avenue completed a merger pursuant to a merger agreement (the “Merger Agreement”) dated May 14, 2006. Under the terms of the Merger Agreement, First Avenue issued 73.9 million shares of common stock in exchange for all of the issued and outstanding common shares of Old FiberTower. In addition, First Avenue issued options for 4.2 million shares of its common stock in exchange for all of the outstanding stock options of Old FiberTower.

The merger of First Avenue and Old FiberTower has been accounted for as a reverse acquisition of First Avenue by Old FiberTower under the purchase method of accounting because Old FiberTower’s stockholders owned a majority of the shares, on a fully diluted basis, of the combined company following the merger.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation — The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

Certain amounts in the condensed consolidated statements of operations and statements of cash flows have been reclassified to conform to the 2008 presentation.

For further information, refer to the consolidated financial statements and footnotes thereto included in FiberTower's Annual Report on Form 10-K for the year ended December 31, 2007.

There have been no significant changes in our significant accounting policies as of March 31, 2008 as compared to the significant accounting policies described in FiberTower's Annual Report on Form 10-K for the year ended December 31, 2007 except for the adoption of SFAS No. 157, *Fair Value Measurements* ("SFAS 157") and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of SFAS 115* ("SFAS 159").

In September 2006, the FASB issued SFAS 157 which establishes specific criteria for the fair value measurements of financial and non-financial assets and liabilities under current accounting rules. The new fair value criteria are primarily applied prospectively upon adoption of SFAS 157. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB amended SFAS 157 to exclude SFAS No. 13, *Accounting for Leases*, from its scope and approved, through its issuance of FASB Staff Position No. FAS 157-2 ("FSP 157-2"), a one-year delay in applying SFAS 157 to certain fair value measurements, primarily related to non-financial instruments such as business combinations, acquired goodwill and intangibles, long-lived assets held for disposal and liabilities related to exit or disposal activities. The Company adopted the provisions of SFAS 157 on January 1, 2008. The adoption of SFAS 157 did not have an impact on the consolidated financial condition, results of operations or cash flows of the Company. See Note 7 for information and related disclosures regarding the Company's fair value measurements.

In February, 2007, the FASB issued SFAS 159 which permits a company to voluntarily elect to use fair value, instead of historic or original cost, to account for certain financial assets and liabilities. The fair value option is designated on an item-by-item basis, is irrevocable and requires that changes in fair value in subsequent periods be recognized in earnings in the period of change. On the date of adoption, if the fair value option is elected for any existing financial assets or liabilities, all previously unrealized gains or losses, if any, will be charged directly to retained earnings as a cumulative-effect adjustment. Items eligible for the fair value option include available-for-sale securities and loans payable. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Effective January 1, 2008, the Company elected not to apply the optional provisions of SFAS 159 to any of its assets and liabilities. Therefore, SFAS 159 did not impact the consolidated financial condition, results of operations or cash flows of the Company. Subsequent to the adoption of SFAS 159, the election to use the fair value method for future eligible transactions will be made on a case-by-case and instrument-by-instrument basis.

Recent accounting pronouncements — In March 2008, the FASB issued Statement of Financial Accounting Standard No. 161 ("SFAS 161"), *Disclosures about Derivative Instruments and Hedging Activities*. SFAS 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the potential impact of this pronouncement on its consolidated financial statements.

Note 3—Property and Equipment

Property and equipment consisted of the following (in thousands):

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Network equipment	\$ 205,995	\$ 183,179
Internal-use computer software	2,776	2,731
Office equipment and other	2,705	2,753
	<u>211,476</u>	<u>188,663</u>
Less: accumulated depreciation and amortization	36,754	31,894
Property and equipment in-service, net	174,722	156,769
Construction-in-progress	72,897	84,030
Property and equipment, net	<u>\$ 247,619</u>	<u>\$ 240,799</u>

As of March 31, 2008 and December 31, 2007, network equipment and construction-in-progress included capitalized internal labor costs of \$18.1 million and \$17.1 million, respectively. As of March 31, 2008 and December 31, 2007, network

equipment and construction-in-progress included capitalized interest of \$8.2 million and \$6.4 million, respectively. Assets classified as construction-in-progress are not being depreciated as they have not yet been placed in service.

See discussion in Note 4 of impairment charges related to Property and Equipment recorded in the three months ended March 31, 2008.

Note 4—Impairment of Long-Lived Assets and Other Charges

Construction of the Company's network operations is a complex process involving the interaction and assembly of multiple components including internal labor, third party costs and equipment costs. The Company regularly assesses the realizability of costs accumulated in construction-in-progress as it executes its network build plans. During the three months ended March 31, 2008 and 2007, the Company recorded an impairment charge of \$4.8 million and \$0.1 million, respectively, relating to this process which is included in cost of service revenues.

Note 5—Impairment of Goodwill

At December 31, 2007, the carrying value of the Company's goodwill, related to the First Avenue/FiberTower merger, totaled \$86.1 million. The carrying value of goodwill was reduced by \$147.9 million in impairment charges recorded in the third and fourth quarters of 2007.

As a result of a further decline in the Company's market equity value during the quarter ended March 31, 2008, the Company believed an indicator of further impairment existed and, accordingly, performed an interim review of the value of its goodwill. In the quarter ended March 31, 2008, the Company concluded that the carrying value of goodwill was fully impaired and recorded an impairment charge of \$86.1 million, reducing the fair value of goodwill to zero at March 31, 2008.

In performing its impairment tests, the Company compared the fair value of the Company's single reporting unit to its carrying value. The Company estimated the fair value of the reporting unit using both observed market equity values based on the Company's publicly-traded stock price and the income approach, which requires estimates of future operating results and cash flows discounted using an appropriate discount rate. As a result of these tests, the Company concluded that the carrying amount of its reporting unit exceeded its fair value.

The goodwill impairment charge is included in operating expenses on the condensed consolidated statements of operations.

Note 6—Convertible Senior Secured Notes

On November 9, 2006, the Company completed the sale of \$402.5 million of 9.00% Convertible Senior Secured Notes ("Notes") that mature on November 15, 2012. The Notes were sold to the initial purchasers in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. The Notes are fully guaranteed, jointly and severally ("Guarantees"), by the Company and each of its subsidiaries ("Guarantors").

The Notes bear interest at a coupon rate of 9% per annum, payable semi-annually in arrears in cash on May 15 and November 15 each year. As required by the indenture governing the Notes, the Company used \$68.5 million of the net proceeds to acquire U. S. Treasury securities to provide for the payment, in full, of the first four semi-annual interest payments. These securities may only be used to pay the interest or other payments required by the indenture and are reflected as restricted investments in the condensed consolidated balance sheet. On May 15, 2007 and November 15, 2007, the Company made its first two interest payments of \$18.7 million and \$18.1 million, respectively.

Subject to certain conditions, commencing May 15, 2009, the Company has the option of making any or all of the four semi-annual interest payments due in 2009 and 2010 with additional notes in lieu of cash. Such additional notes would bear interest at an annual rate of 11%.

If not redeemed or converted prior to maturity, the Company will be required to repay the Notes for 125.411% of their initial principal amount, or \$504.8 million. The Company is accreting the principal premium ratably over the six-year period until the Notes mature and is recognizing such accretion as additional interest expense. The effect of this accretion is to increase the effective yield to the holders to 12% per annum based on the par value of the Notes.

The Notes and Guarantees are secured by a first priority pledge of substantially all of the assets of the Company and its subsidiaries and by a first priority pledge of the stock of all of its subsidiaries, subject, in each case, to a prior lien to secure a working capital facility, if any, of up to \$50.0 million. The Notes rank senior to all of the Company's and the Guarantors' existing and future subordinated indebtedness.

The Notes are not redeemable by the Company before November 15, 2010. If the Company's common stock exceeds specified trading values, the Company may redeem any of the Notes, in whole or in part at any time on or after November 15, 2010, at 100% of the aggregate accreted principal amount, together with accrued and unpaid interest and liquidated damages, if any.

The Notes may be converted into the Company's common shares at an effective conversion price of \$8.29 per share which is subject to adjustment under certain circumstances. Holders who convert their Notes prior to November 15, 2009 or convert their Notes prior to November 15, 2010 in connection with certain designated events related to consolidations and mergers, will receive a make-whole premium.

The Notes contain certain anti-dilution provisions that will cause the conversion price of the Notes to be reduced (i) upon the Company issuing or selling common stock or other securities convertible into common stock with aggregate proceeds of \$25.0 million or more prior to November 15, 2008; and (ii) if the Company has not consummated common stock issuances or sales for aggregate proceeds of at least \$50.0 million by November 15, 2008.

A majority of the Company's shareholders executed written consents approving the issuance of shares of common stock in connection with the possible conversion of the convertible notes. The number of common shares that could be issued would increase if the anti-dilution provisions of the Notes are triggered before conversion. This increase is capped at a 33% increase in the total number of shares.

The Notes contain covenants, including, but not limited to, restrictions on the Company's future indebtedness and the payment of dividends. As of March 31, 2008, the Company is in compliance with all of the covenants.

If certain designated events occur prior to maturity, the holders may require the Company to repurchase all or part of their Notes for cash at a repurchase price equal to 101% of their aggregate accreted principal amount, plus accrued and unpaid interest and liquidated damages, if any.

The Company and the Guarantors filed a shelf registration statement with the Securities and Exchange Commission, covering the resale of the Notes, Guarantees and the shares of common stock issuable upon conversion of the Notes, that was declared effective on April 26, 2007. The Company and the Guarantors will be required to pay liquidated damages if they fail to keep the shelf registration statement effective during specified time periods.

The Company concluded that the embedded feature related to the make-whole premium, designated event make-whole premium and holder put option upon the occurrence of certain designated events, qualify as derivatives and should be bundled as a compound embedded derivative ("Derivative") under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

The carrying value of the Notes is comprised of the following (in thousands):

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Convertible senior secured notes	\$ 401,383	\$ 401,383
Accretion	17,988	14,395
Derivative	—	—
	<u>\$ 419,371</u>	<u>\$ 415,778</u>

See Note 7 for disclosure of the fair value of the Company's Notes and Derivative. Debt issuance costs incurred in connection with the sale of the Notes totaled \$14.3 million and are being amortized as additional interest expense over the six-year term of the Notes using the effective interest method. Accumulated amortization totaled \$3.0 million at March 31, 2008 and \$2.5 million at December 31, 2007.

Note 7—Fair Value Disclosures

As discussed in Note 2, the Company adopted SFAS 157 on January 1, 2008. The following table presents information about the Company's assets measured at fair value on a recurring basis as of March 31, 2008, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value (in thousands).

	<u>Fair Value Measurements at March 31, 2008 Using</u>			
	<u>Quoted Prices in Active Markets for Identical Assets or Liabilities</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Unobservable Inputs</u>	<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and cash equivalents	\$ 131,644	66,604(1)	—	\$ 198,248
Restricted cash	—	37,398(1)	—	37,398
Total	<u>\$ 131,644</u>	<u>\$ 104,002</u>	<u>\$ —</u>	<u>\$ 235,646</u>

(1) Consists of U.S. Treasury securities.

The aggregate fair value of the Company's Convertible Senior Secured Notes, determined based on quoted prices, was approximately \$323.0 million as of March 31, 2008, compared to the aggregate carrying value of the Notes at such date of \$419.4 million. The fair value of the Derivative as of March 31, 2008 was negligible. The Company monitors the fair value of the Derivative each reporting period and records changes in fair value through charges to miscellaneous income, net with an offsetting adjustment to the carrying value of the Notes on the balance sheet. The value of the Derivative fluctuates based on changes in several factors including the trading price of the Company's common stock, passage of time and other events described in the Notes. These value changes could be significant.

Note 8—Stockholders' Equity and Stock-Based Compensation

Old FiberTower Stock Plan —In May 2001, Old FiberTower adopted a stock option plan (the "Old FiberTower Stock Plan") pursuant to which the Board of Directors was authorized to grant options to purchase common stock, or issue shares of common stock, to employees, officers, directors, advisors or consultants of Old FiberTower. Incentive stock options ("ISOs") and nonqualified stock options ("NSOs") were granted with an exercise price equal to the estimated fair value of the common stock at the date of grant. All options issued under the Old FiberTower Stock Plan have a ten-year term, become fully exercisable upon vesting, and generally vest over one to four years.

As a result of the First Avenue/FiberTower merger discussed in Note 1, all outstanding options and restricted stock awards under this plan were legally assumed by First Avenue and this plan was discontinued effective August 29, 2006. All

existing outstanding options and Restricted Stock Awards continued under the same terms of the original grant agreements (including the ten-year contractual life of options) as adjusted for the merger exchange ratio with respect to the number of shares and per share price.

FiberTower Corporation Stock Incentive Plan (formerly First Avenue Stock Incentive Plan) —As a result of the First Avenue/FiberTower merger discussed in Note 1, Old FiberTower, as the acquirer of First Avenue, assumed options for the purchase of 4.2 million common shares that had been granted by First Avenue under its Stock Incentive Plan (the “Stock Incentive Plan”) prior to the merger.

First Avenue amended the Stock Incentive Plan, effective as of August 29, 2006 as follows: (1) provided for the issuance of restricted shares as well as ISOs and NSOs; (2) increased the number of shares reserved for issuance under the plan from 7.6 million shares to 23.3 million shares; (3) provided for annual awards of restricted shares with an aggregate value of \$85,000 to each non-employee director, and (4) allowed for an annual increase in the aggregate authorized shares to 1.5% of the then outstanding common shares. In addition, options granted under the Stock Incentive Plan have a maximum term of up to five years.

Unless otherwise stipulated by the Board of Directors, restricted stock awards to employees under the Stock Incentive Plan vest over a four-year period from the grant date. During the quarters ended March 31, 2008 and March 31, 2007, restricted stock awards to certain non-employee directors vested immediately.

On January 21, 2008, Michael K. Gallagher resigned from his position of President, Chief Executive Officer and Director of the Company. As a result of his resignation, Mr. Gallagher forfeited 2.3 million stock options with a weighted average exercise price of \$7.26 per share. Of these 2.3 million options, approximately 1.8 million were exercisable with a weighted average exercise price of \$7.11 per share. Mr. Gallagher also forfeited 450,000 shares of unvested restricted stock with a price per share of \$7.74.

During the three months ended March 31, 2008, the Company reversed \$0.4 million of previously recognized compensation cost related to the cancellation of unvested restricted stock.

In February 2008, the Company awarded 4.5 million restricted shares to employees under the Stock Incentive Plan. Prior to vesting, the restricted share awards have voting rights and are entitled to dividends. Therefore, such shares are considered outstanding for financial reporting purposes, but are included in the net loss per share computations only to the extent vested. As of March 31, 2008, the number of restricted stock award shares outstanding was 6.3 million.

As of March 31, 2008, the number of shares issuable under outstanding stock options was 4.8 million. The aggregate intrinsic value of options exercised during the three months ended March 31, 2008 was \$0.1 million. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the options.

The Company uses the Black-Scholes-Merton option pricing model to determine the estimated fair value of stock options on the date of grant. The fair value of the options granted was determined using the assumptions set forth below:

	Three Months Ended March 31,	
	2008	2007
Expected life of options	3.58 years	3.75 years
Volatility	67%	70%
Risk-free interest rate	2.38-2.68%	4.78%
Expected dividend yield	0.00%	0.00%

The weighted-average grant-date fair value of stock options granted during the three months ended March 31, 2008 and 2007 was \$0.77 per share and \$2.74 per share, respectively.

As of March 31, 2008, there was approximately \$5.0 million of unrecognized compensation cost related to stock options. This compensation cost is expected to be recognized over a weighted-average period of approximately 1.25 years.

The Company determines the fair value of each restricted common stock award based on the fair value of the Company's common stock at the date of award.

As of March 31, 2008, there was approximately \$13.5 million of unrecognized compensation cost related to the restricted stock awards. This compensation cost is expected to be recognized over a weighted-average period of approximately 1.5 years.

The employee and non-employee stock-based compensation expense was recorded in the condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended March 31,	
	2008	2007
Cost of service revenues	\$ 889	\$ 550
Sales and marketing	335	459
General and administrative	1,001	1,327
Total	<u>\$ 2,225</u>	<u>\$ 2,336</u>

Warrants — As of March 31, 2008, there were 2.9 million warrants outstanding at exercise prices ranging from \$1.84 to \$7.25 per share. Such warrants expire between January 2009 and December 2014.

Common Stock Reserved for Future Issuance

Shares of common stock reserved for future issuance at March 31, 2008 were as follows (in thousands):

Convertible senior secured notes	60,148
Warrants	2,880
Stock options and restricted shares	19,235
Total shares reserved	<u>82,263</u>

Note 9—Net Loss Per Share

Basic and diluted net loss per share for the three months ended March 31, 2008 and March 31, 2007 has been calculated by dividing net loss by the weighted average number of the Company's common shares outstanding, less issued common shares subject to repurchase or forfeiture, and excludes any dilutive effects of stock options, warrants and convertible notes. Diluted net loss per share was the same as basic net loss per share in each period presented because the Company had net losses in each of these periods and inclusion of potentially issuable shares would be anti-dilutive.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per share is as follows (in thousands):

	Three Months Ended	
	March 31,	
	2008	2007
Numerator for basic and diluted net loss per share:		
Net loss for period	\$ (120,000)	\$ (25,838)
Denominator for basic and diluted net loss per share:		
Weighted average common shares outstanding	148,395	145,390
Weighted average common shares outstanding subject to repurchase	(4,351)	(3,069)
Denominator for basic and diluted net loss per share	<u>144,044</u>	<u>142,321</u>

As of March 31, 2008, the Company had stock options outstanding to purchase 4.8 million shares, of which 3.0 million shares were exercisable. In addition, at March 31, 2008, there are 6.3 million unvested restricted shares. The Company's Convertible Senior Secured Notes became convertible on February 15, 2007. As of March 31, 2008, 48.6 million shares were potentially issuable if all currently outstanding Notes were converted and 11.6 million additional shares could be potentially issuable upon conversion of additional notes that could be issued as payment for interest on the Notes. There are also warrants outstanding at March 31, 2008, to acquire 2.9 million common shares. These potentially issuable shares would further dilute investors when the options and warrants are exercised, the restricted share awards vest and the Notes are converted to common shares.

Note 10—Related Party Transactions

During the three months ended March 31, 2008 and 2007, the Company leased colocation space from certain stockholders that (i) own greater than 10% of the Company's outstanding equity securities and/or (ii) have representatives who serve on the Company's Board of Directors. One of these related parties also provided the Company with certain services pertaining to its network operations center during such periods. The aggregate operating expenses included in the accompanying condensed statements of operations for the three months ended March 31, 2008 and 2007, pertaining to these lease and service arrangements, were approximately \$0.6 million and \$0.4 million, respectively.

Representatives from two entities holding approximately 27% of the outstanding common stock serve on the Company's Board of Directors. A company controlled by a member of the Board of Directors periodically serves as a consultant to a holder of approximately 14% of the Company's common stock regarding its investments, including its holdings in the Company.

The executive chairman of the Company's Board of Directors serves as a director of Tessco Technologies Incorporated. Tessco supplies the Company with various materials which are used in the business operations. During the three months ended March 31, 2008 and 2007, the Company paid Tessco approximately \$0.1 million and \$0.4 million, respectively.

Note 11—Guarantees and Other Contingencies

Regulatory Matters—The Company is subject to significant FCC regulation, some of which is in a state of flux due to challenges to existing rules and proposals to create new rules. Such regulation is subject to different interpretations, inconsistent application and has historically given rise to disputes with other carriers and municipalities regarding the classification of traffic, rates, rights-of-way and zoning matters. Management believes that resolution of any such disputes will not have a material adverse impact on the Company's consolidated financial position.

License Renewal—Like other FCC licenses, the licenses which the Company holds were granted for an initial ten-year term with renewal dates ranging from 2007 to 2014. Renewal applications for the

Company's wide-area 39 GHz licenses that expired in 2007 remain pending at the FCC. To obtain renewal of a license, the licensee must demonstrate that,

at the time of renewal, it either met a “safe harbor” build-out requirement or that it has provided “substantial service” as determined by the FCC. What level of service is considered “substantial” will vary depending upon the type of offering by the licensee. The FCC has provided specific safe harbor guidance only for point-to-point offerings, where it has indicated the licensee should have constructed four links per channel per million persons in the licensed area. Licensees may show that they have met the substantial service test in other ways, such as providing niche services, offering service to underserved consumers and investing in the market in a credible manner to develop equipment and systems to serve the license.

Licensees are required, prior to the expiration date of their licenses, to file renewal applications with an exhibit demonstrating compliance with the substantial service criteria. If an entity is deemed not to have provided substantial service through meeting the safe harbor build-out requirement, or through other means, with respect to a license for which renewal is sought, the renewal will not be granted and the license will expire. The Company does not currently meet the safe harbor guidance provided by the FCC for the substantial majority of its 24 and 39 GHz licenses which expire in the 2010 and 2011 time frames. Since the Company is required to demonstrate substantial service at the time the license is renewed, the FCC could choose to not renew licenses that do not meet the substantial service safe harbor.

FCC precedent for substantial service showings, especially those made outside the safe harbor structure, still remains thin, subject to FCC discretion and thus lacking a guarantee for renewal. However, the Company has been meeting regularly with the FCC presenting data on the Company’s significant network investment and expanding geographic coverage to make the spectrum bands viable and able to provide substantial service at renewal and in the long term. The Company continues to believe that it has met the substantial service requirements necessary for renewal and will continue to engage the FCC on this subject.

Other guarantees—From time to time, the Company enters into certain types of contracts that contingently require it to indemnify various parties against claims from third parties. These contracts primarily relate to: (i) certain real estate leases, under which the Company may be required to indemnify property owners for environmental and other liabilities and for other claims arising from the Company’s use of the applicable premises; (ii) certain agreements with the Company’s officers, directors and employees, under which the Company may be required to indemnify such persons for liabilities arising out of their employment relationship; (iii) contracts under which the Company may be required to indemnify customers against third-party claims that a Company product or service infringes a patent, copyright or other intellectual property right; and (iv) procurement or license agreements under which the Company may be required to indemnify licensors or vendors for certain claims that may be brought against them arising from the Company’s acts or omissions with respect to the supplied products or technology.

Generally, a maximum obligation under these contracts is not explicitly stated. Because the obligated amounts associated with these types of agreements are not explicitly stated, the overall maximum amount of the obligation cannot be reasonably estimated. Historically, the Company has not been required to make payments under these obligations, and no liabilities have been recorded for these obligations in the Company’s condensed consolidated balance sheets.

Legal proceedings—The Company is subject to certain legal proceedings and claims in the ordinary course of business. In the opinion of management, the ultimate outcome of these matters will not have a material impact on the Company’s financial position or results of operations.

Note 12—Subsequent Events

Hiring of new President and CEO—On April 9, 2008, the Board of Directors (the “Board”) of the Company appointed Kurt J. Van Wagenen as President and Chief Executive Officer of the Company. Mr. Van Wagenen was also elected by the Board to fill the vacancy on the Board as a result of Michael K. Gallagher’s resignation on January 21, 2008 from his position of President, Chief Executive Officer and Director of the Company.

On April 9, 2008, Mr. Van Wagenen entered into an executive employment agreement (the “Agreement”) with the Company. The Agreement provides for an original term of three years with automatic one-year extensions unless either party provides notice that the Agreement is not to be extended. Pursuant to the Agreement, Mr. Van Wagenen will receive, among other things, (i) a base annual salary of \$350,000, subject to annual increases at the Board’s sole discretion, and a bonus

payment to be determined by the Board, where such bonus payment in 2008 may not exceed 150% of Mr. Van Wagenen's base salary, (ii) a restricted stock grant under the Stock Incentive Plan of 875,000 shares that will vest as to 25% of the total grant on each of the first, second, third and fourth anniversary of the date of the Agreement and (iii) an option to acquire up to 1,125,000 shares of the Company's common stock under the Stock Incentive Plan at an exercise price of \$1.43, the fair market value of the Company's common stock on the date of the grant, with such options vesting as to 25% of the total grant on the first anniversary of the date of the Agreement and 1/48 of the total grant each month thereafter.

Pursuant to the Agreement, the Company and Mr. Van Wagenen may terminate the Agreement at any time upon giving notice to the other party. If the Company terminates the Agreement for other than "Cause" or if Mr. Van Wagenen terminates for "Good Reason" (as such terms are defined in the Agreement), the Company will pay Mr. Van Wagenen certain severance payments as outlined in the Agreement. In addition, if a "Change of Control" occurs (as such term is defined in the Agreement), all of his unvested stock options and restricted stock shall accelerate and become vested and exercisable upon certain conditions as outlined in the Agreement.

On April 9, 2008, the Company also entered into a signing bonus agreement with Mr. Van Wagenen. Pursuant to the signing bonus agreement, the Company agreed to pay Mr. Van Wagenen (i) a cash signing bonus of \$666,667 on April 9, 2010 if he is still employed by the Company as Chief Executive Officer on such date and (ii) an additional cash signing bonus of \$333,333 on April 9, 2011 if he continues to remain so employed on such date.

Reduction in Force—On May 8, 2008, management announced staffing reductions throughout the Company as part of its cost reduction efforts and to re-align the Company's organization based upon its current network deployment plan and the anticipated cash balances projected to execute its business plan. Management believes this reduction in force can be achieved without impacting its ability to continue to meet any of its deployment, operational, sales or customer service commitments. Approximately 60 employees were provided notice of their termination to occur during the second and third quarters of 2008. This will result in an estimated annual cost savings of \$10 to \$12 million. Severance payments and other charges related to the staffing reductions are expected to range between \$1.5 to \$2.0 million and will be expensed in the second and third quarters of 2008.

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

FORWARD LOOKING STATEMENTS

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, or SEC, 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. We caution 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 contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007 ("Risk Factors").

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and other financial information appearing in our Annual Report on Form 10-K for the year ended December 31, 2007. Some of the statements in the following discussion are forward-looking statements that are based on our current expectations, estimates and projections about our business and operations. For a variety of reasons, including those described above and in Risk Factors, our actual results may differ materially from these estimates and projections.

Company Overview

We provide backhaul services to wireless carriers and began generating service revenues in 2003 by deploying our first network in Dallas, Texas. Backhaul is the transport of voice, video and data traffic from a wireless carrier's mobile base station, or cell site, to its mobile switching center or other exchange point where the traffic is then switched onto a fixed wireline telecommunications network. We compete with a range of diversified telecommunications services providers, primarily Incumbent Local Exchange Carriers, ("ILECs"), including AT&T, Verizon, Embarq, and Qwest.

As of March 31, 2008, we had 213 employees. On May 8, 2008, management announced staffing reductions throughout the Company as part of its cost reduction efforts. See Note 12, Subsequent Events, in the Notes to Condensed Consolidated Financial Statements for further information.

We have master service agreements with six of the eight largest U.S. wireless carriers and market our services in 13 markets solely in the U.S. through our direct sales force.

As an important part of our business strategy, we seek to:

- (1) leverage our existing network and customer relationships by increasing utilization of existing assets;
- (2) continue to improve the efficiencies of our network and reduce network expenses;
- (3) sell additional bandwidth to our customers;
- (4) expand our markets based on identified demand;
- (5) continue to develop innovative solutions that meet the needs of our customers, and
- (6) allocate capital efficiently by balancing new site and market growth.

The growth of our business depends substantially on the condition of the wireless communications industry. The willingness of customers to purchase our services is affected by numerous factors, including:

- (1) market demand for wireless services;
- (2) availability of alternative services at better prices;

- (3) predictable deployment schedules, and
- (4) quality of our services.

In order to provide backhaul services to our customers, we have constructed networks in 13 markets. As we continue to expand our markets, we incur significant upfront costs for pre-development site evaluation, site leases, cost of new capital equipment and construction costs. These expenses are incurred well in advance of receiving revenues from customers. Beginning in late 2005, in order to shorten the time a customer had to wait between commitment and initial service delivery, we implemented a strategy to deploy networks where not all sites had committed customer orders at the start of deployment. We altered this strategy in early 2007 to only construct networks where the substantial majority of sites had a committed customer. However, as a consequence of our previous strategy, we have an inventory of sites where T-1 equivalents are available following completion of a deployment project, including some sites where no T-1 equivalents are being used to deliver services or generate revenues.

During the first quarter of 2008, we achieved the following significant financial and operational milestones:

- Billing T-1 equivalents grew by 21% to 17,153 in the first quarter of 2008 from 14,201 at the end of the fourth quarter of 2007. Billing T-1 equivalents grew by 106% year-over-year;
- Billing sites grew 9% to 2,347 in the first quarter of 2008 from 2,148 at the end of the fourth quarter of 2007. Billing sites grew by 48% year-over-year;
- Billing customer locations grew 17% to 4,500 in the first quarter of 2008 from 3,851 at the end of the fourth quarter of 2007. Billing customer locations grew by 104% year-over-year;
- T-1 equivalents per billing site increased from 6.61 at December 31, 2007 to 7.31 at March 31, 2008. T1 equivalents per billing site grew by 11% over the fourth quarter of 2007 and 39% year-over-year.

As of March 31, 2008, we had deployed 2,911 sites, of which 2,347 had billing customers. A deployed site may not yet be billing for various reasons including:

- We have sold service at that site, but have not yet commenced providing service to the customer; or
- We have not yet sold any service at that site, but the site is located in a market in which wireless carriers who are our customers operate but with whom we may not have yet secured a commitment for this specific market.

Sites where we have sold service but not yet commenced providing service may be subject to factors including:

- The customer is not yet able to take delivery of the T-1 equivalent;
- Other elements of the network between the site and the drop-off location are not yet constructed, so service cannot yet be delivered; or
- During certain periods in certain markets, we may complete construction of sites at a faster rate than the services associated with those sites can be provisioned to the customer, resulting in a temporary increase in the number of sites not yet billing.

Our business plan depends on the fact that most, if not all, sites will generate revenue at some future date sufficient to fully recover our investment in property and equipment. If we are unable to

generate sufficient revenues from these sites in the future, our business, financial condition and results of operations would be adversely affected. We have recognized relatively limited amounts of revenues to date, have generated operating and net losses and negative cash flows and expect to generate operating and net losses and negative cash flows for the foreseeable future. (See “Liquidity and Capital Resources” below).

Service Revenues

We generate revenue by charging a monthly recurring charge per T-1 equivalent. The duration of our customer contracts are generally three or five years.

We have derived a significant portion of our historic revenues from the following customers as shown below:

	Three Months Ended	
	March 31,	
	2008	2007
AT&T Mobility	46%	64%
Sprint Nextel	28%	15%
T-Mobile	14%	12%

Accounts receivable from these customers comprised the following percentages of our total accounts receivable balances at March 31, 2008 and December 31, 2007:

	March 31, 2008	December 31, 2007
AT&T Mobility	34%	45%
Sprint Nextel	31%	23%
T-Mobile	16%	21%

Costs and Expenses

The major components of our cost of service revenues are:

- *Leasing.* We incur charges for site lease expense for space leased at our sites. For lease arrangements that have rent escalation provisions, we account for lease expense on a straight-line basis over the lease term.
- *Fiber Service Providers.* We pay charges to our fiber service providers for the purchase and lease of fiber.
- *Field Technicians.* These are charges primarily of engineering and maintenance personnel expenses including stock-based compensation.
- *Other.* This includes costs for site evaluation, site maintenance, power, program and project management, costs related to unsuccessful site acquisitions that are incurred during deployment and personnel costs to monitor the network.

We expect cost of service revenues to increase significantly in future periods as we execute our business plan to grow our network operations.

Construction of our network operations is a complex process involving the interaction and assembly of multiple components including internal labor, third party costs and equipment costs. We regularly assess the realizability of costs accumulated in construction-in-progress as we execute our network build plans. During the three months ended March 31, 2008 and 2007, we recorded an impairment charge of \$4.8 million and \$0.1 million, respectively, relating to this process which is included in cost of service revenues.

Sales and marketing expenses are comprised primarily of compensation and related benefits, including stock-based compensation and travel expenses. We expect sales and marketing expenses to increase in future periods as a result of expanding our operations.

General and administrative expenses primarily consist of compensation and related benefits including stock-based compensation, recruiting fees, travel expenses, professional fees and insurance. We do not expect general and administrative expenses to grow during 2008. This is due to our cost control efforts and in 2007, our integration of public-company related costs following the First Avenue/FiberTower merger.

Depreciation and amortization expenses primarily consist of depreciation related to the deployment of network sites and the amortization of certain intangible assets. We expect depreciation expense to increase in future periods as a result of deploying and commencing depreciation on additional sites.

As a result of a further decline in our market equity value during the quarter ended March 31, 2008, we believed an indicator of further impairment of goodwill existed and, accordingly, performed an interim review of the value of our goodwill. In the quarter ended March 31, 2008, we concluded that the carrying value of goodwill was fully impaired and recorded an impairment charge of \$86.1 million, reducing the fair value of goodwill to zero at March 31, 2008. During the third and fourth quarters of 2007, we recorded goodwill impairment charges totaling \$147.9 million. See Note 5, Impairment of Goodwill, in the Notes to Condensed Consolidated Financial Statements for further information.

Interest income and interest expense is primarily the result of interest earned on investment of cash proceeds and interest cost incurred as a result of the \$402.5 million of gross proceeds from the convertible senior secured notes issued in November 2006. See Note 6, Convertible Senior Secured Notes, in the Notes to Condensed Consolidated Financial Statements for further information.

We anticipate that we will incur non-cash tax expense of approximately \$3 million to \$4 million annually as a result of a tax accounting method change we expect to complete in the second quarter of 2008.

Challenges Facing Our Business

In addition to the risks described in the section entitled Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, there are various challenges facing our business including deploying in a predictable manner, scaling our business and managing growth, acquiring new customers on existing sites, the concentrated nature of our customers and the emerging nature of our market.

Deploying in a predictable manner can be challenging given the numerous landlords that we must deal with in order to lease space on sites, complying with the various zoning and permitting laws of different cities or districts, and managing the contractors involved with construction, program and project management. We have taken steps to reduce deployment unpredictability by engaging with large, well-established, turnkey vendors that are experienced in this area. Additionally, we concentrate on selecting sites owned by major tower operators with whom we already have agreements, which we believe will help minimize the risk of failing to negotiate a definitive lease for a site.

We are a rapidly growing company, and hiring qualified personnel and developing processes and systems rapidly are necessary in order to grow successfully. If we cannot hire qualified employees, manage our growth and develop these systems and processes successfully, our business would be adversely affected.

As described above, acquiring customers on existing sites in a timely fashion is important for appropriate return on the capital that we invest, particularly since we incur significant costs in preparing

sites to become operational. In many cases, these costs are incurred well in advance of having committed revenue from a customer. Our business, financial condition and results of operations will be negatively affected if we do not obtain sufficient revenues from constructed sites.

We are a relatively new entrant into a highly concentrated market with few potential customers in any particular market. Maintaining and growing our existing relationships with the leading wireless carriers and developing new relationships with other carriers are critical to our success.

We operate in an emerging market. Our future success depends on an increased demand for wireless services for voice and other mobile broadband services such as transmissions of photos or videos and internet communication.

Results of Operations

Presented below are selected statements of operations data for the three months ended March 31, 2008 and 2007 that have been derived from our unaudited condensed consolidated financial statements. You should read this information together with the unaudited condensed consolidated financial statements and related notes that are included elsewhere in this document. Our historical results are not necessarily indicative of the results that are expected in future periods.

**Statements of Operations Data:
(In thousands)**

	Three Months Ended March 31,	
	2008	2007
Service revenues	\$ 9,706	\$ 5,420
Cost of service revenues (excluding depreciation and amortization)	(16,221)	(11,274)
Cost of service revenues - impairment of long-lived assets and other charges	(4,816)	(149)
Sales and marketing	(1,925)	(2,022)
General and administrative	(6,272)	(7,197)
Depreciation and amortization	(5,120)	(3,838)
Impairment of goodwill	(86,093)	—
Interest income	2,341	5,358
Interest expense	(11,573)	(12,257)
Miscellaneous income (expense), net	(27)	121
Net loss	<u>\$ (120,000)</u>	<u>\$ (25,838)</u>

The following table sets forth selected statements of operations data as a percentage of our service revenues for each of the periods indicated.

	Three Months Ended March 31,	
	2008	2007
Service revenues	100%	100%
Cost of service revenues (excluding depreciation and amortization)	(167)%	(208)%
Cost of service revenues - impairment of long-lived assets and other charges	(50)%	(3)%
Sales and marketing	(20)%	(37)%
General and administrative	(65)%	(133)%
Depreciation and amortization	(53)%	(71)%
Impairment of goodwill	(887)%	—
Interest income	24%	99%
Interest expense	(119)%	(226)%
Miscellaneous income (expense), net	(0)%	2%
Net loss	<u>(1,236)%</u>	<u>(477)%</u>

Non-GAAP Financial Measures

We use the total adjusted EBITDA, which is a Non-GAAP (Generally Accepted Accounting Principles) financial measure to monitor the financial performance of our operations. This measurement, together with GAAP measures such as revenue and loss from operations, assists management in its decision-making processes relating to the operation of our business. Adjusted EBITDA is defined as net income (loss) from operations before interest, taxes, depreciation and amortization, impairment charges, stock-based compensation and other income (expense). Adjusted EBITDA is not a substitute for operating income, net income (loss), or cash flow used in operating activities as determined in accordance with GAAP, as a measure of performance or liquidity. In addition, our presentation of adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. This non-GAAP financial measure should be viewed in addition to, and not as an alternative for, our reported financial results as determined in accordance with GAAP.

The following table shows the calculation of our total adjusted EBITDA reconciled to net loss.

	Three months ended March 31,	
	2008	2007
Net loss	\$ (120,000)	\$ (25,838)
Adjustments:		
Depreciation and amortization	5,120	3,838
Stock-based compensation	2,225	2,336
Interest income	(2,341)	(5,358)
Interest expense	11,573	12,257
Impairment of goodwill	86,093	—
Impairment of long-lived assets and other charges	4,816	149
Miscellaneous (income) expense, net	27	(121)
Adjusted EBITDA	<u>\$ (12,487)</u>	<u>\$ (12,737)</u>

Three months ended March 31, 2008 compared to three months ended March 31, 2007

Service revenues for the three months ended March 31, 2008 increased 79% to \$9.7 million from \$5.4 million for the three months ended March 31, 2007. This increase was primarily driven by the addition of 639 new deployed sites and greater penetration in existing markets, leading to a 106% increase in the number of billing T-1 equivalent lines during the previous 12 months. Service revenues in the first quarter of 2008 also include the first full quarter of revenue from the delivery of Ethernet-based links to Sprint Nextel under our 4G backhaul contract. The increase in service revenues was partially offset by lower average selling prices reflecting a different customer and geographic mix and volume discount targets achieved by certain customers. The average monthly recurring revenue per T-1 equivalent was \$207 during the three months ended March 31, 2008 compared to \$234 for the same period of 2007.

Cost of service revenues (excluding depreciation and amortization charges) increased 44% to \$16.2 million for the three months ended March 31, 2008, compared to \$11.3 million for the three months ended March 31, 2007. This was primarily due to site lease expense, fiber service provider charges and additional personnel costs incurred to support the billing sites that were added to the network during the past year. Also, for the three months ended March 31, 2008, stock-based compensation expense recorded to cost of service revenues was \$0.9 million compared to \$0.6 million for the same period in 2007.

Cost of service revenues also includes \$4.8 million in the three months ended March 31, 2008 and \$0.1 million for the same period of 2007, of long-lived asset impairment charges related to our assessment of the realizability of costs accumulated in construction-in-progress.

Service revenues tend to lag cost of service revenues initially for new sites, especially in new markets, because there are certain upfront costs that are generally incurred for a period of time before a site generates revenue. These costs include site evaluation expenses, lease payments that are incurred before the

site generates revenues, payments to fiber service providers in order to ensure sufficient capacity is available to carry new traffic, as well as costs related to unsuccessful site

acquisitions that are incurred during deployment. Due to the fact that most of our sites are relatively new, cost of service revenues (excluding depreciation and amortization) have historically exceeded service revenues.

Sales and marketing expenses decreased 5% to \$1.9 million for the three months ended March 31, 2008, compared to \$2.0 million for the three months ended March 31, 2007. As a result of changes to our 2008 commission plan, there was a lower commission accrual in the first three months of 2008 over the comparable period of 2007. This was offset by a higher bonus accrual reflecting the achievement of 150% of our first quarter 2008 bonus metrics compared to 91% a year ago. Also, for the three months ended March 31, 2008, stock-based compensation expense recorded to sales and marketing was \$0.3 million compared to \$0.5 million for the same period in 2007.

General and administrative expenses decreased 13% to \$6.3 million for the three months ended March 31, 2008, from \$7.2 million for the three months ended March 31, 2007. This decrease is primarily due to lower professional and consulting fees relating to public company-related costs and a reduction in stock-based compensation expense from \$1.3 million for the three months ended March 31, 2007 to \$1.0 million for the same period of 2008. These reductions were, partially offset by a higher bonus accrual and a \$0.2 million increase in recruiting fees.

Depreciation and amortization expense increased 33% to \$5.1 million for the three months ended March 31, 2008 from \$3.8 million for the three months ended March 31, 2007. This increase reflects \$16.7 million in capital additions year over year driven by the addition of 639 new deployed sites during the past 12 months.

As a result of the impairment evaluation of the fair value of the carrying amount of goodwill performed during the quarter ended March 31, 2008, we recorded a goodwill impairment charge of \$86.1 million during the three months ended March 31, 2008 reducing the fair value of goodwill to zero at March 31, 2008. See Note 5, Impairment of Goodwill, in the Notes to Condensed Consolidated Financial Statements for additional information.

Interest income decreased 56% to \$2.3 million for the three months ended March 31, 2008 from \$5.4 million for the three months ended March 31, 2007. The reduction was due to lower cash balances available for investment and lower interest rates. Miscellaneous income for the three months ended March 31, 2007 included \$0.3 million for the change in the fair value of the embedded derivative associated with the convertible notes.

Interest expense decreased 6% to \$11.6 million for the three months ended March 31, 2008 from \$12.3 million for the three months ended March 31, 2007. The reduction was primarily due to an increase in the amount of interest expense which was capitalized.

Performance Measures

In managing our business and assessing our financial performance, we supplement the information provided by financial statement measures with several customer-focused performance metrics to assess the growth and evaluate the performance of our operations. In addition to traditional financial evaluations, including performance against budget, we also consider non-financial measurements, the most important of which are the number of sites deployed, number of sites billing, the number of customer locations billing and total T-1 equivalents billing. The number of sites deployed represents sites from which we could deliver our services in a particular market. Customer locations billing are carrier locations, at which we currently provide T-1 equivalents. A deployed site could have multiple customer (carrier) locations. The number of sites billing represents the number of deployed sites on which we currently have sold at least one T-1 equivalent to a customer. A T-1 equivalent is an increment of bandwidth that the Company sells of approximately 1.54 megabits per second. This can be for either TDM or Ethernet-based backhaul.

We consider these to be key metrics because the number of sites constructed is a key factor in determining the amount of additional capital expenditures required to grow the network and the number of field personnel required to support our operations and sales growth. Sites billing, the number of customer locations billing and the number of T-1 equivalents per sites billing are all indicators of the productivity of the network.

The following table shows quarterly key operating metric information.

	Three Months Ended				
	Mar. 31, 2008	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007	Mar. 31, 2007
Billing Sites:					
Billing sites added	199	157	143	265	254
Ending billing sites	2,347	2,148	1,991	1,848	1,583
Billing sites / Sites deployed	81%	76%	75%	75%	70%
Billing Customer Locations:					
Billing customer locations added	649	599	433	613	402
Ending billing customer locations	4,500	3,851	3,252	2,819	2,206
Colo rate	1.92	1.79	1.63	1.53	1.39
Billing T-1 Equivalents:					
Billing T-1 equivalents added	2,952	2,171	1,823	1,884	1,454
Ending billing T-1 equivalents	17,153	14,201	12,030	10,207	8,323
T-1 equivalents per customer location	3.81	3.69	3.70	3.62	3.77
T-1 equivalents / Billing sites	7.31	6.61	6.04	5.52	5.26
Average MRC per T-1 equivalent	\$ 207	\$ 215	\$ 218	\$ 229	\$ 234
Sites Deployed:					
FiberTower sites constructed	98	158	190	193	276
Ending sites deployed	2,911	2,813	2,655	2,465	2,272

Billing Sites are the number of installed sites from which we currently provide T-1(s) to customer(s).

Customer Locations Billing are carrier locations at which we currently provide T-1(s). Our sites could have multiple customer locations.

Colo rate is the number of customer locations per billing site.

Billing T-1 Equivalent is either a T-1 or another increment of bandwidth of approximately 1.54 megabits per second.

Average MRC per T-1 Equivalent is the average monthly recurring revenue per T-1 Equivalent.

Sites Deployed represent the number of sites installed and ready for provision of services. Our sites can be located at cell towers or on rooftop locations.

Liquidity and Capital Resources

Our business does not currently generate sufficient cash flow from operations to fund our short-term or long-term liquidity needs, and we may not be able to generate cash flow from operations sufficient to meet our liquidity needs in the future, which would require us to continue to raise funds through external sources. We have relied on the proceeds from equity and debt financings to provide cash for our operations.

On November 9, 2006, we completed the sale of \$402.5 million of 9.00% Convertible Senior Secured Notes due on November 15, 2012 (“Notes”). The Notes were sold in a private placement exempt from the registration requirements of the

Securities Act of 1933, as amended. The Notes are fully guaranteed, jointly and severally, by us and each of our subsidiaries (“Guarantees”). See Note 6, Convertible Senior Secured Notes, in the Notes to Condensed Consolidated Financial Statements for further information.

Our primary liquidity needs arise from capital requirements necessary to expand our network and fund operating losses. We had unrestricted cash and cash equivalents and certificates of deposit of \$198.2 million at March 31, 2008.

We also require cash to service the interest on the Notes described above. Upon closing the sale of the Notes to the initial purchasers, we deposited into an escrow account \$68.5 million of the net proceeds from the Notes offering, which, together with the proceeds from the investment thereof, will be sufficient to make the first four semi-annual interest payments on the Notes. Thereafter, we have the option to pay interest on any or all of the next four semi-annual interest payment dates in additional notes. On May 15, 2007 and November 15, 2007, we made our first two interest payments of \$18.7 million and \$18.1 million, respectively. Our ability to pay our expenses and make payments due on the Notes depends on our future performance, which will be affected by financial, business, economic, legislative and other factors, many of which are beyond our control.

We anticipate that we will continue to invest significantly in deploying our network over the next several years. The size of our capital requirements will depend on numerous factors, including our ability to grow revenues, control costs, and deploy our network on a timely basis according to plan and customer requirements. We will require significant cash expenditures related to capital construction costs and operating losses. We anticipate that we will use approximately \$75 million of cash for capital expenditures during 2008 to expand our network. However, if market conditions warrant, we are able to slow the amount of capital expenditures to a level consistent with the business needs at that time.

In the future, we intend to obtain financing through the issuance of additional equity or debt securities, or both. There can be no assurance that this additional financing will be available on terms acceptable to us or at all. If we are unable to raise sufficient funds, we may need to reduce our operations or delay our expansion. In addition, we may be required to sell assets or incur additional debt, or we may need to refinance all or a portion of our indebtedness at or before maturity. We may not be able to accomplish any of these alternatives on terms acceptable to us, or at all. In addition, the terms of existing or future debt agreements may restrict us from adopting any of these alternatives.

Cash Flow Analysis

Our principal liquidity requirements are primarily for working capital purposes and the expansion of our network through our investment in network equipment and site acquisition and construction costs.

Operating Activities

In the three months ended March 31, 2008, net cash used in operating activities decreased by \$2.7 million to \$13.5 million compared to cash used in operating activities of \$16.2 million for the three months ended March 31, 2007. The negative cash flow from operations in the three months ended March 31, 2008 was primarily caused by a net loss of \$120.0 million and a reduction of accounts payable of \$3.8 million, partially offset by non-cash charges of \$102.2 million and an increase of \$9.1 million in accrued interest payable related to the convertible notes.

The following table shows non-cash charges included in net cash used in operating activities:

	Three Months Ended March 31,	
	2008	2007
Non-cash charges:		
Depreciation and amortization	\$ 5,120	\$ 3,838
Accretion of convertible notes	3,593	3,014
Stock-based compensation	2,225	2,336
Impairment of goodwill	86,093	—
Impairment charges on long-lived assets and other charges	4,816	149
Other, net	339	(638)
Total non-cash charges	\$ 102,186	\$ 8,699

Investing Activities

Net cash used in investing activities consisted primarily of our investment in network equipment and site construction costs as well as the back-office systems to support the network. As of March 31, 2008, we provided services to 2,347 billing sites in 13 markets throughout the U.S., an increase of 199 billing sites during the first quarter of 2008.

In the three months ended March 31, 2008, we spent \$16.7 million in capital expenditures as compared to \$21.2 million in the first three months of 2007. During the first three months of 2008 and 2007, we completed deployment of 98 and 276 new sites, respectively. In the first three months of 2008, additional capital spending went into deploying incremental customers at existing sites relative to the first three months of 2007. In addition, the Company incurred capital expenditures to support site builds beyond the first quarter of 2008. We anticipate that we will use approximately \$75 million of cash for capital expenditures during 2008 to expand our network. However, if market conditions warrant, we are able to slow the amount of capital expenditures to a level consistent with the business needs at that time.

During the first quarter of 2007, we invested \$40.6 million in net short-term investments which were utilized in operations in 2007.

Financing Activities

A negligible amount of net cash was provided by the exercise of stock options during the three months ended March 31, 2008, as compared to \$1.2 million for the same period of 2007.

Debt Obligations and Restricted Cash and Investments

At March 31, 2008, we had unrestricted cash and cash equivalents of \$198.2 million that were held in bank accounts, money market mutual funds, short-term obligations and commercial paper issued by major U.S. and foreign corporations and financial institutions.

In addition, at March 31, 2008, we had total restricted cash and investments of \$37.4 million, comprised of \$35.7 million of principal and interest invested in restricted U.S. Treasury securities under the terms of the Notes noted above. At March 31, 2008, we had an additional \$1.7 million of restricted cash and cash equivalents, \$1.1 million of which is related to a service supplier agreement and letters of credit in connection with other obligations totaling \$0.6 million at March 31, 2008, with their final expiration in June 2011. These were collateralized by cash equivalents of \$0.4 million at March 31, 2008.

We believe we have limited exposure to financial market risk including changes in interest rates. We believe the fair value of the investment portfolio or related income would not be significantly impacted by changes in interest rates due mainly to the short term nature of the investment portfolio.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Future Liquidity and Capital Resource Requirements

Based upon our current plans, we believe that our existing cash and cash equivalents and certificates of deposit of \$198.2 million, will be sufficient to cover our estimated liquidity needs for at least the next twelve months. We anticipate that we will use approximately \$75 million of cash for capital expenditures during 2008 to expand our network. However, if market conditions warrant, we are able to slow the amount of capital expenditures to a level consistent with the business needs at that time. Our long-term economic model is designed to allow replicable, scalable individual market builds so that we can increase or decrease our market deployment schedule based on available cash. As a result, the amount and timing of our long-term capital needs will depend on the extent of our network deployment. As our business is in its early stages, we regularly evaluate our plans and strategy, and these evaluations often result in changes, some of which may be material and significantly modify our cash requirements.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The application of these policies requires us to make estimates that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We base our accounting estimates on historical experience and other factors which we believe to be reasonable under the circumstances. However, actual results may vary from these estimates under different assumptions or conditions. Management has discussed the development and selection of critical accounting policies and estimates with our Audit Committee.

Our critical accounting policies include revenue and expense recognition, useful life assignments and impairment evaluations associated with long-lived assets, including intangible assets, FCC licenses, goodwill, asset retirement obligations, deferred taxes, leases and stock-based compensation, which are discussed in detail under the caption "Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2007. There were no significant changes in our critical accounting policies or estimates since December 31, 2007.

Related Party Transactions

See Note 10, Related Party Transactions in the Notes to Condensed Consolidated Financial Statements.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We believe that there have been no significant changes in our market risk exposures for the three months ended March 31, 2008 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 4. *CONTROLS AND PROCEDURES*

(a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2008, our management carried out an evaluation under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”). On April 9, 2008, the Board of Directors appointed our CEO who participated in the evaluation of our disclosure controls and procedures as of March 31, 2008. Disclosure controls are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-Q, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation described above, our CEO and CFO have concluded that, as of March 31, 2008, our disclosure controls and procedures were not effective.

(b) Changes in Internal Control over Financial Reporting

In our Annual Report on Form 10-K for the year ended December 31, 2007, management identified as a material weakness in both the design and operating effectiveness of internal control over financial reporting, its ineffective controls over the accounting for property and equipment. During the quarter ended March 31, 2008, we made substantial progress on the implementation of the re-design of our internal controls associated with property and equipment. We intend to further develop the re-designed controls over property and equipment throughout the second quarter and beyond in 2008 including assigning responsibility for execution of the controls throughout various levels of our organization and focusing on increasing the precision, speed and efficiency of the controls. During the quarter ended March 31, 2008, there were no other changes in our internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings. From time to time, we could become involved in various legal proceedings arising from the normal course of business activities. Depending on the amount and timing, an unfavorable resolution of a matter could materially affect our future results of operations, cash flows or financial position in a particular period.

Item 1A. Risk Factors

There have been no material changes to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2007, except as described below:

To be successful, we must attract, retain and motivate key employees, and the inability to do so could seriously harm us. The loss of key personnel could adversely affect our business because these individuals are important to our continued growth.

To be successful, we must attract, retain and motivate executives and other key employees and keep them focused on our strategies and goals. Competition for personnel throughout our industry is intense, and we may be unable to retain key employees or attract or retain other highly qualified employees in the future. If we are not successful in attracting new personnel or retaining and motivating our current personnel, our business and prospects could be adversely affected. Our future success depends to a significant extent on the skills, experience, performance and continued services of our senior management and other key personnel. We believe that our future success is highly dependent on our senior management to provide significant continuity in the execution of our growth plans. The loss of any members of our management team could harm our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about the repurchase of our common stock during the three months ended March 31, 2008:

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced program (2)	Maximum value of shares that may yet be purchased under the program (2)
January 1 to January 31, 2008	—	—	—	—
February 1 to February 29, 2008	306	\$ 1.76	—	—
March 1 to March 31, 2008	—	—	—	—
Total	306	\$ 1.76	—	—

(1) Shares shown were withheld to satisfy tax obligations arising upon the vesting of restricted stock. In April 2007, our Board of Directors authorized the repurchase of common stock at current market prices, limited to amounts necessary to fund income tax withholding obligations of employees with respect to such vesting.

(2) We do not have a securities repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

- 10.1 Executive Employment Agreement, dated April 9, 2008, between Kurt J. Van Wagenen and FiberTower Corporation (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 14, 2008).
- 10.2 Letter Agreement, dated April 9, 2008, between Kurt J. Van Wagenen and FiberTower Corporation (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on April 14, 2008).
- 31.1 Certification of Kurt J. Van Wagenen under Section 302 of the Sarbanes-Oxley Act.
- 31.2 Certification of Thomas A. Scott under Section 302 of the Sarbanes-Oxley Act.
- 32.1 Certification of Kurt J. Van Wagenen under Section 906 of the Sarbanes-Oxley Act.
- 32.2 Certification of Thomas A. Scott under Section 906 of the Sarbanes-Oxley Act.

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.

FIBERTOWER CORPORATION

May 9, 2008	By: /s/ KURT J. VAN WAGENEN
Date	Kurt J. Van Wagenen President, Chief Executive Officer and Director

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.

Signature	Title	Date
/s/ KURT J. VAN WAGENEN	President, Chief Executive Officer and Director	May 9, 2008
Kurt J. Van Wagenen	(Principal Executive Officer)	
/s/ THOMAS A. SCOTT	Chief Financial Officer	May 9, 2008
Thomas A. Scott	(Principal Financial and Accounting Officer)	

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Title</u>
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32.1	Certification of Kurt J. Van Wagenen under Section 906 of the Sarbanes-Oxley Act.
32.2	Certification of Thomas A. Scott under Section 906 of the Sarbanes-Oxley Act.

**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, Kurt J. Van Wagenen, President, Chief Executive Officer and Director of the Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FiberTower Corporation (the “Registrant”);
 2. Based on my knowledge, this 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 report;
 3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
 4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and,
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and,
 5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
-

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2008

/s/ KURT J. VAN WAGENEN

Kurt J. Van Wagenen

President, Chief Executive Officer and Director

**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, Thomas A. Scott, Senior Vice President and Chief Financial Officer of the Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FiberTower Corporation (the “Registrant”);
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and,
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and,
5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2008

/s/ THOMAS A. SCOTT

Thomas A. Scott
Senior Vice President and Chief Financial Officer

**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 FiberTower Corporation (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, 2008 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, 2008 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KURT J. VAN WAGENEN

Kurt J. Van Wagenen
Chief Executive Officer

Dated: May 9, 2008

**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 FiberTower Corporation (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, 2008 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, 2008 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ THOMAS A. SCOTT

Thomas A. Scott
Chief Financial Officer

Dated: May 9, 2008
